

European dream PepsiCo's new ambitions





Fuzzy logic Computers that imitate humans

FINANCIAL TIMES

Secretary-general of Mexican ruling party assassinated

Europe's Business Newspaper

The secretary-general of Mexico's ruling party, Mr José Francisco Ruiz Massieu, was shot dead in the centre of Mexico City, shattering the fragile politi-cal peace following last month's presidential elections. Mr Ruiz had been tipped as the country's next interior minister. Mexican financial markets dropped sharply, with shares falling by 2.4 per cent.

Wellcome criticised in US: UK drug company Wellcome was criticised by the US Food and Drug Administration for manufacturing shortcomings in its main north American plant. Page 18; A welcome for Coats' Walls; Page 9; Lex. Page 16

Plague toll grows in India: A further 500 cases of suspected pneumonic plague brought the total in India to 1.400. There were three more deaths, taking the official toll to 47. Page 4

UK companies censured over Pergau dam: The government censured British companies Bal-four Beatty, Trafalgar House and GEC for providing incomplete information about the financing of the deal to build Malaysia's Pergau dam. Page 9

Alcatel profits warning: French engineering. transport and telecoms group Alcatel Alsthom warned of a sharp fall in full-year profits to about FFr4bn (\$754m), compared with FFr7.06bn in 1993 because of losses in Germany and difficulties in Brazil and Turkey, Page 17; Lex, Page 16

China's leaders seek to tighten grip: China's ruling Communist party has approved a blueprint aimed at bolstering its hold on power.

Japan's opposition forms voting bloc: Nine Japanese opposition parties and groups formed a parliamentary voting bloc in a move towards the creation of the country's first strong opposition party for nearly 50 years. Page 4

Chemical Banking stands firm on loans: Chemical Banking is prepared to lose its dominant position in the US syndicated loans market rather than give in to pressure for looser terms, chairman and chief executive Walter Shipley said. Page 17

EU nears deal on car fuel consumption: European Union environment ministers are close to agreeing guidelines for big cuts in fuel consumption of new cars, German environment minister Klaus Töpfer said. Page 2: New Range Rover, Page 9

Dutch group buys into Campari: Dutch food and beverages group BoisWessanen is to take a stake of at least 33 per cent in Davide Campari-Milano, maker of Campari, one of the few remain-ing independent international drinks brands.

UniChem in £58,4m rights issue: Pharmaceuticals retailer and wholesaler UniChem announced a £58.4m (\$92.3m) rights issue to under pin its expansion as one of Britain's largest suppliers of healthcare products. Page 18

Axa to raise stake in US insurer: French insurance group Axa is to take majority control of Equitable, the US life insurer, by the end of the

Russia seeks overhaul of diamond pact: Yevgeny Bychkov, chairman of Russia's committee on precious metals and stones, said his country's agreement with South African diamond group De Beers was "far from satisfactory" and must be changed. Page 3

NatWest plans Indian investment: National Westminster Bank of the UK is planning to invest about £10m (\$15.8m) in HDFC Bank, a newly-formed joint venture fudian bank. Page 21

Threat to force EU telecoms competition: Karel Van Miert, European competition commissioner, said he may force through the liberalisation of telecoms networks after industry ministers failed to back moves to open them to competition.



Tomorrow's Financial Times carries a special 32-page survey on world economic and financial developments. The survey, published on the eve of this year's IMF/World Bank annual meetings in Madrid, provides in-depth and up-to-the-minute coveraga of the global economy in a period of profound and rapid changa.

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Threat to Russian reform as rouble falls further

A further plunge in the value of the Russian rouble yesterday raised fears that the country's economic reforms could he derailed and that the growing confidence of foreign investors would be undermined.

The rouble fell 6 per cent on the Moscow interbank currency exchange, closing at Rbs2,631 to the dollar. The latest fall means that the rouble has lost 16.5 per cent against the dollar this month. The central bank, which has spent \$2.5hn supporting the currency, has indicated that it will stop intervening to preserve remaining hard currency reserves, which are estimated at

The depreciation, which is expected to fuel inflation of around 8 per cent this month after a low in August of 4 per cent, might force the government into panic measures. It also risks delaying aid from international financial institutions, which would be wary of giving money to a government that was not in control of its finances.

A senior western financial official in Moscow said: "We may get a crisis earlier than we expected

because of what has happened on the rouble front . . it's starting to feel like loss of control."

Senior officials in Washington, where Russian president Boris Yeltsin discussed economic issues with US president Bill Clinton yesterday, echoed the promise made on Monday by Mr Lloyd Bentsen, the treasury secretary, that Russia could expect up to \$10hn immediate aid. mainly from the International Monetary Fund, if it adopted a

tough reform programme.

Queues formed yesterday at Moscow's currency exchange points, as Muscovites attempted

to change roubles into dollars at prices which at some points dropped to 2,750 to the dollar. Some of those waiting said they

no longer trusted the government to protect the value of the rouble. The fall in the currency was the largest since the 7.3 per cent drop which came when Mr Yegor Gaidar, the former prime minis-ter, left the government of Mr Victor Chernomyrdin in January. The crisis may force the central bank to push up interest rates. despite its wish to reduce rates to encourage growth. "If the government very quickly returns to a tight monetary policy then a

is now inevitable - could be just an interlude. But if not it could be much more dangerous," Mr Gaidar said yesterday.
Portfolio investment in the

Russian economy, spurred by the low prices of many Russian stocks, has been flowing into the country at the rate of more than \$200m a month.

Investment in production and service facilities has also been growing but at a relatively low

Rouble fail threatens to undo everything, Page 3



MF sees more growth in industrial nations

Global economic outlook 'brightest for four years'

By Peter Norman, Economics Editor, in Madrid

Forecasts for growth in the industrialised world were yesterday revised upwards for the first time this decade by the Interna-tional Monetary Fund, which declared that the recession and slow growth of the early 1990s

Describing the upwards revisions as a "bappy event", Mr Michael Mussa, director of the IMF's research department, told a news conference that the prospects for the world economy were brighter than at any point in the past three to four years.

The IMF expects the economies of the industrialised nations will grow by 2.7 per cent this year and next compared with its previous forecasts, published five months ago, of 2.4 per cent for 1994 and 2.6 per cent for

According to its latest World Economic Outlook, published last night ahead of the annual meetings of the IMF and the World Bank, global output is expected to expand by 3.1 per cent this year and 3.6 per cent in 1995, or close to the trend rate of growth of the past two decades.

After revising upwards its esti-mate of last year's world trade

growth to 4 per cent from 2.4 per cent, the IMF expects continued strong expansion in the years ahead, it expects world trade will grow by about 7 per cent this year and just under 6 per cent in 1995 and therefore at a faster rate than the average 5 per cent annual growth of the past 20

Mr Mussa said the recovery in the industrial world was accompanied by encouraging signs of

is set to expand

growth in Africa and a continued strong performance in Asia and some Latin American countries. Growth in the developing countries as a group is expected to be twice as strong as in the industrial countries this year and next. Although problems exist notably in the former Soviet countries. activity is beginning to plck up in central and eastern Europe while recovery in the Middle East is expected in 1995.

Mr Mussa said unemployment now seemed to have passed its peak in continental Europe and was "on the downslope" some months earlier than expected in

Continued on Page 16



Ferry tragedy may fuel safety fears

By Hugh Carnegy and Christopher Brown-Humes in Stockholm and Charles

Officials from Sweden Finland and Estonia yesterday began investigating the capsize of the ferry Estonia in the Baltic Sea amid reports that water had flooded in through the bow doors. More than 800 lives were lost in Europe's worst maritime disaster

since the second world war. The 21,794 tonne ferry, sailing from the Estonian capital of Tallinn to Stockholm, sank within minutes early yesterday 40km south west of the Finnish island of Uto. There were 964 passengers and crew aboard, and a full cargo of cars and heavy trucks.

The sinking is expected to renew calls for improvements in

ferry safety despite international eight other European nations swedish-Estonian operator of the efforts to raise standards. Roll-on have agreed even higher stanefforts to raise standards. Roll-on roll-off ferries present particular problems because of their large open car and truck decks. These lack the dividing bulkheads which give other vessels additional protection against capsiz-

Shipping nations agreed on tougher rules governing the sta-bility of ships under the Safety of Life at Sea convention in 1990. although Britain, Sweden and dards which take effect on Satur-

Last night, Mr Raimo Tülikalnen, leader of the Finnish rescue operation, said belicopters and ships sent to the area had rescued 126 people and recovered 42 bodies. But he said 796 people were still missing and officials said there was little bope of finding anyone alive in the cold Baltic waters. Estline, the joint

Can Conservative Management

Lead to Financial Strength in

Today's Banking Environment?

sudden capsize and sinking of the ship. It said the last radio mes sage from the hridge reported the engines had failed and the ship

was listing badly. However, crew member Henrik Sillaste said he saw water burst into the car deck past the bow loading ramp shortly before the

Continued on Page 16 Safety rules that failed, Page 2

Companies face huge extra costs after pensions ruling

a significant victory in the Euro-The landmark ruling, one of a

series in Strasbourg, came after

years of uncertainty about how sion rights for men and women. employers should have realised

this in 1976 following a previous ruling by the same court. Because that decision was ignored, part-timers should have the right to claim benefits dating

Employers' groups in the UK

terday's ruling on part-timers could cost British industry £7bn (\$11hn). in the Netherlands, where over 30 per cent of the workforce is part-time, employers face a hill of up to Fi 1bn (\$578m).

The six separate cases decided sterday were brought by individuals and pension fund trust-ees seeking clarification of the court's key Barber v GRE ruling in May 1990. This concluded that employers could not offer members of one sex better benefits than the other. But it has been unclear since then just how

Arta Guade . Стобымого

Intl. Cap Mids.

law firms involved in the case.

Pension consultants said ves terday the ruling may not impose as harsh a burden as employers groups fear. Employers which can provide "objective justifica tion" for barring part-timers from joining their pension schemes will not be required to do so for either future or past service. Also, the court ruled, any pen-

sion scheme member claiming retrospective membership in a scheme requiring employee con tributions will have to pay all past contributions to receive ben-

Attacking the decision on part-time employment. Mr Tim Melville-Ross, director-general of the UK Institute of Directors, said: "The judgment will cost Brttish industry billions of pounds but will have little effect in other member states which do not have the great advantages of

Republic National Bank, the answer to that question is an unequivocal YES. The proof is in our reviews.

In the June 24, 1994 analysi's report, CS First Boston notes: "In our

opinion, Republic has developed a flexible entrepreneurial approach in meeting clients' needs.

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AND MARK CENTER OF THE PROPERTY OF THE SECTION OF A DESCRIPTION OF A DESCR

By Norma Cohen, Investments Correspondent of the judgment which will reduce future pension costs. This is because employers which have European employers face costs of billions of dollars after part-time workers – mostly women – won typically allowed women more generous benefits through retiresaid. ment at 60 may now cut these and force women to work until pean Court of Justice yesterday with a ruling that could give they are 65, the same as men. The UK government's actuary has calculated that, at worst, yesmany of them pension rights for

mployers should equalise pen-The court ruled that barring part-time workers from pension scheme memhership could amount to indirect discrimination against women, and must be stopped. Moreover, it said

back nearly 20 years.

equality should be applied. The effect of the court's rulings will be to encourage employers to reduce pension rights for women, said Mr John Cunliffe, partner at

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LONDON - PARIS - FRANKFURT - NEW YORK - TOKYO

Tragedy leaves Swedes in shock

By Hugh Carnegy in

News of the Estonia ferry disaster yesterday instilled a deep sense of shock across Sweden, a country more than most unaccustomed to such a jolting catastrophe.

"Nothing like this has ever happened to us before," said a journalist on a leading newspaper. "We have not been involved in the great wars of this century, we have not suffered from natural disasters. We have not even lost one of our soldiers in the Bosnian peace-keeping operation. It will take a loog time for the

country to get over this."

Both Mr Carl Bildt, the ontgoing prime minister and his successor, Mr Ingvar Carlsson. described the ferry sinking, in which more than 500 of the 838 victims were Swedish, as "the greatest catastrophe in Sweden's modern history.

Sweden, often joked about for its northern reserve and tranquillity, is more used to mobilising its aid agencies to help the victims of disaster in faraway places than to coping with trauma at home. Yesterday, crisis groups were set up in many cities and towns to offer support and counselling for bereaved families.

The sheer scale of the fatalities had a profound impact on a nation of 8.5m people. But tha shock was heightened by the popularity of Baltic cruises among ordinary Swedes, thousands of whom take short excursion trips on similar fer ries to Finland, St Petersburg and the newly-independent Baltic states.

The victims yesterday included a group of 53 pensioners from the central city of Norrköping, 44 retired trade unionists from the western town of Borlange, 70 office workers from the Stockholm county police and 20 papils from a hible school in the eastern city of Jönjöping.

Mr Bildt, like many Stockholmers yesterday, recalled that he had himself sailed on the Estonia and said he knew several people who were aboard the ship when it sank. and joins with the relatives and their families." he said.

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Safety rules that failed the Estonia

It was a modern ship, well maintained and Swedish owned. But are even the best

By Charles Batchelor, Fransport Correspondent and Kevin Brown

lcv waters of Baltic.

Shipping safety has engaged the attention of dozens of committees sitting for thousands of the London headquarters of All this earnest activity has

coastal waters of the Philippines, Indonesia and Bangladesh in recent years with enormous loss of life. The regulations are international in their scope but the losses have been their most severe in the developing world.

the loss of 193 lives in March 1987 to show that standards needed to be raised even in the An official inquiry concluded that the British ferry, owned by P & O, sank because a crewman left the bow doors open. The ship's officers failed to notice because of a culture of "sloppiness" throughout the P & O subsidiary that operated

The inquiry recommended a

such as higher vehicle decks, closed circuit TV supervision of how and stern doors, better emergency lighting, loading and stability checks, and pas-

senger and vehicle listing. The loss of the Herald of Free Enterprise prompted the British government to push for

UK and nine other European nations, including Sweden. have imposed tougher regulations on the stability of ferries and have insisted on their more rapid application to existing, as well as to new, vessels. These rules come into effect in two days' time. These stability rules are

unlikely to have had any impact on the Estonia, however, which was regarded as a well found vessel designed to operate in the frequently icebound Baltic. Investigators will undoubtedly be looking closely at how the crew carried ont

And for all the wealth of safety legislation there has been little progress in overcoming the higgest single safety problem on roll-on rolloff ferries - the open vehicle decks running from one end of the ship to the other, usually with doors at one or both ends, One survivor of yesterday's

strongly supported the three in

their efforts to remove Russian

troops from their countries and

have been the quickest among

western countries to establish

joint ventures and other trade

operated the Estonia, is jointly-owned by the Swedish ship-

ping company Nordström &

Thulin and the state-owned

Estonian Shipping Company. It

was set up with a 10-year

Estline, the company which

round times and frequent sailings.
This means that neither space nor time is wasted, but comparatively small quantities of water entering the vehicle decks can cause the ship to

erly while another report

auggested that the loading

Shipowners maintain that

be loaded and unloaded

quickly, allowing rapid turn-

This problem, called the free surface effect, was what sank the Herald. It can be prevented, but only by inserting vertical bulkheads across the vehicle deck, which would

develop a heavy list, and cap-

safaty agreements, the IMO governments around the world have come to realise that ro-ro ferries are viable only if large numbers of vehicles can effective enforcement of the rules is still woefully lacking. The IMO is shifting its attention to ensuring that its many

maritime agreements are enforced and recently reached agreement to give port authorities greater powers to inspect visiting shipping. Traditionally the country under whose flag a ship sails is responsible for ensuring that the vessel is well built and well maintained. But the failure of many "flags of convenience" to take these duties seriously has seen power shift to the authorities in the port where the ship docks.

The west European countries

EUROPEAN NEWS DIGEST

FINLAND

LITHUANIA

port organisations while similar regional groupings of "port states" are being put together in other parts of the world.

Estonia newly independent

after the break-up of the Soviet

Union, has yet to establish a

track-record in the supervision

of the ships which sail under

lts flag. But the Swedish

involvement in the ship's own-

ership is seen as a guarantee of

It will be some time before

the official enquiries which are

just beginning provide an

explanation for the loss of the

Estonia. But the loss of a rela-

tively modern vessel in rough

but not unusual seas raises

worrying questions about the

effectiveness of the regulations

Gulf of

The Estoria sinks on

way to Stockholm: 125

people rescued, more

than 800 lost

POLAND

STOCKHOLM

SWEDEN

Italian unions call for protests

Russial Signature overhause

Italian trade union leaders yesterday called for countrywide protests in the run-up to a general strike on October 14 against the Berlusconi government's austerity proposals in the 1995 budget. Plans for a four-hour general stoppage were formalised yesterday in the wake of Tuesday's night breakdown in talks between the government and the unions over pension reform and public spending cuts. Mr Silvio Berlusconi, the prime ster, presenting the 1995 budget at a press conference yesterday, described the general strike as "an error" and insisted the budget had sought to spread the burden of sacrifices fairly. The main thrust of the proposals has already been amply leaked; but the government at the last minute has decided to raise from L48,000bn (£2bn) to L50,000bn the total sought in spending cuts and from new revenues. This will reduce the 1995 budget deficit to 8 per cent of GDP and allow for a primary surplus (the difference between receipts and expenditures less debt service outlays) of 2.1 per cent of GDP. The government has also sought to stiflen some of its proposals on pension reform within the last 24 hours - a move prompted by the hardening of the unions' position and designed to impress the financial markets. Robert Graham.

Bull settles arson case

France's Groupe Bull has settled the arson case brought by its insurers in an Illinois court this week, and has received a "substantial" but undisclosed payment from the insurance companies. New Jersey-based Allendale Mutual Insurance Company and its London-based affiliate, Factory Mutual international agreed to withdraw their claim that Bull had deliberately burned a Zenith Data Systems warehouse at Seclin, France, in 1991, resulting in the loss of large computer inventories. in return, Bull has withdrawn its claim that Allendale and FMI acted in bad faith to avoid paying Bull's insurance claim. The two sides are still in dispute over the amount of insurance coverage Bull had in place at the time of the fire. That dispute will be decided in Illinois in early January. The settlement of the arson charges ends nearly three years of pre-trial wrangling, and came two days before the presiding judge would have ended arguments in the case. Laurie Morse, Chicago.

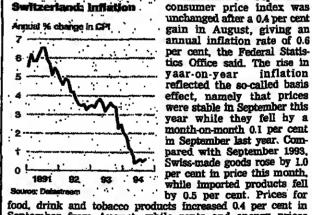
Bonn targets tax haven

Mr Theo Waigel, German finance minister, said yesterday that ernment was ready to reach a "constructive solution" D-Mark." Michael Lindemann, Bonn

Irish electricity jobs to go

trade unions until the end of next month to agree a five-year rationalisation programme. The programme, intended to cut as drawn u consulting firm McKinsey & Co. The bulk of the jobs, 1,475, are to go in power generation with another 1,000 jobs to be lost in customer services and 400 in head office administration. McKinsey concluded that the ESB was efficient in the areas of fuel purchase and fund management but it did not match international standards of efficiency in other areas. The ESB trade unions said they would seek fewer redundancies. They opposed McKinsey's approach of comparing the ESB with larger more efficient North American ntilities. The ESB shake-up is the latest in a series of crises at Irish state-owned

ECONOMIC WATCH



Switzerland's September consumer price index was unchanged after a 0.4 per cent gain in August, giving an annual inflation rate of 0.6 per cent, the Federal Statis-tics Office said. The rise in yaar-on-year inflation reflected the so-called basis effect, namely that prices were stable in September this year while they fell hy a month-on-month 0.1 per cent m September last year. Com-pared with September 1993, Swiss-made goods rose by 1.0

September from August, while rents and energy prices declined 0.1 per cent. Transport and telecommunications

figures showed.

Luxembourg's days as a tax-free haven were numbered as pressure grew within the European Union to bring the Grand Duchy's tax regime in line with other countries. An estimated DM300bn (£123bn) of German funds has been switched to Luxembourg in recent years following tax changes in Germany. "Free movement of capital only makes sense if you don't have any tax oases," he said. The German finance minister has talked to the Swiss and the Austrians, who also manage exiled German funds, and said the Luxembourg gov-Waigel also underlined his determination to make the D-Mark part of a common European currency but suggested the process could be made easier if the future currency had a different name. "We are bringing the D-Mark into a European currency and we could perhaps refer to it as the Euro-Mark, or refer to the Dutch currency as the Buro-Guilder. Such psychological measures should be thinkable to allay peoples' fears," he said. "We cannot go on talking about getting rid of the

The ESB, Ireland's state electricity company, plans to shed 2,900 jobs, nearly one third of its workforce, and has given companies. John McManus. Dublin.

Swiss consumer prices stable

prices, meanwhile, also fell 0.1 per cent. ■ Belgian September year-to-year inflation edged up to 2.46 per cent from 2.44 per cent in August, provisional official

Finland's preliminary current account was in balance in August after a revised FM2.9bn (£360m) surplus in July, according to figures released by the Bank of Finland. July's surplus was revised down from a FM3bn surplus reported last

ro-ro ferries vulnerable?

f regulation alone could prevent ferries sinking, then the Estonia would never have gone down in the

hours in recent years and the conventions which roll out of the International Maritime Organisation are constantly being revised and upgraded. still not prevented heavily laden ferries sinking in the

It took the sinking of the Herald of Free Enterprise with traditional shipping nations.

series of safety improvements, the Estonia had not shut prop-

By Hugh Carnegy and

Christopher Brown-Humes in

The Estonia was until

yesterday's disaster a powerful

symbol of blossoming trade

and political ties between tha

Nordic countries and the

newly independent Baltic

Sweden and Finland espe-

cially have built up economic

and political links with

a stricter interpretation of the international safety rules than most countries were prepared The result has been that the

to accept.

sinking suggested that one of the forward loading ramps of

slow loading. For all the good intentions

Estonia loosened.

Lost symbol of economic rebirth in Baltics pated a rapid expansion of its name and its additional links when Moscow's hold over

Although passenger and freight demand was initially disappointing, Estline began to take off two years ago and bought the Estonia early last year as its prestigious flagship, replacing a smaller ferry. The cost of \$42m (£26.5m) was largely financed by the European Bank for Reconstruction and Development.

The sm s role as a nign-prosince the three became inde- Stockholm-Tallinn route in file symbol of Estonia's emerge exports to Estonia jumped

function as a training centre for the Estonian hotel and restaurant industry.

The growing passenger and freight tonnage using the Estonia was in line with the fast-growing trade between Sweden and Estonia. Estline passenger numbers tripled from 91,700 in 1990 to 280,000 last year, prompting the company to charter a second ship to double its capacity.

At the same time, Swedish

this year alone, while imports from Estonia reached SKr500m in the first six months of this year, compared with just SKr60m in all of 1991. Economic ties between

SKr850m in the first half of

Estonia and Finland have grown even faster, with Finn-ish exports to Estonia expected to approach FM3bn (£375m) this year, compared with less than FM400m in 1991. At least three Estonian and two Finnoperate regular services on the pendent in 1991. They have 1990 as the two sides anticiing economy was reflected in from SKr92m (£7.7m) in 1991 to 75-mile Helsinki-Tallinn route.

Another argument for cau-

tion is that by incorporating

the Visegrad countries too

quickly and slamming the

door, Nato will appear to aban-

don both Ukraine and the Bal-tic states to Russian influence.

defence secretary, said yester-

Nato was "not a serious propo-

sition". He stressed Britain's

commitment to the sovereignty

of Ukraine, calling it a "country whose independence plays

a crucial part in the new geog-

A wild card in the debate is

Turkey. Ankara fears that Moscow's consent to Nato

enlargement in northern Europe might be "bought"

with concessions to Russian

So Turkey, while supporting

the idea of embracing the Vise-grad four, is also suggesting that Romania, Bulgaria and

influence on its borders.

raphy of Europe".he

day Russian membership of

Mr Malcolm Rifkind, the UK

Nato rallies to call of 'expand or die' The alliance meeting in Seville today will focus on enlargement, writes Bruce Clark

ust over a year ago, US Senator Richard Lugar warned Nato there was only one way it could survive without a communist threat.

It must go "out of area" - gear up for peacekeeping or peace enforcement operations outside its own geographical limits – or else go "out of busi-

That was last year's slogan. When Nato defence ministers gather today in Seville, they will hear a new rallying cry, a oew formula for extending Nato's area of operations. It is called enlargement.

instead of venturing beyond its frontiers, the alliance will be called on to extend those frontiers – to include Poland, Hungary, the Czech Republic and Slovakia (known as the four Visegrad countries) and possibly others. The calls will be led by Mr

Volker Rühe, the German defence minister who is tha most outspoken advocate of early enlargement, and wants a firm commitment to incorporate Poland by the year 2000. Mr William Perry, the US Defence Secretary, is also impatient. US officials want preparations for expansion to

autumn, and they have started speaking about enlargement with the same missionary zeal that they brought until recently to the "out-of-area"

They are suggesting that Nato will have no reason to exist, or to expect US support. unless it expands soon. In the plthy language favoured by Senator Lugar, the new US

message is something like "expand or die". In practice, however, the "out of area" slogan has not proved to be a panacea for Nato, and enlargement is also likely to spark some acrimonious debate in Seville.

of area" operation - policing the skies over Bosnia - is still proving to be a trying experience for the alliance. The problem is that by most legal interpretations, Nato can only go "out of area" under a mandate from another organi-

sation, such as the UN or the

Nato's most spectacular "ont

Conference on Security and Co-operation in Europe.

And Nato's US commanders have barely concealed their fury over tha cautious attitudes of the British and French generals who command the UN move into high gear this ground forces in Bosnia Only

after some very blunt soldier-to-soldier exchanges over the past two weeks have tempers cooled. One of the first fruits of this frank dialogue over tactics in Bosnia was last Thursday's air strike against a Bosnian Serb tank.

A second problem with "outof-area" operations, high-lighted in a study by left-wing defence analysts in Washington, London and Berlin, is the contrast in the peacekeeping doctrines used by European and US armies. While British generals distinguish clearly between keeping peace by consensus and imposing peace by force, the US military tends to blur the two.

f "out-of-area" operations have been contentious, the emphasis on enlargement promises to be even more so. There are sharply contrasting views on the issue among German and US officials, and also within the Nato bureaucracy. In Washington, Bonn and other Nato capitals, the enthusiasm of some politicians for expansion is tempered by the caution of military officers, who are all too aware of the

huge outlay of equipment and money that would be needed.

Generals, more than politiman foreign ministry. clans, remember that embracing new Nato members is more than a political gesture: it is a commitment to treat an "attack on one as an attack on The thorniest issue ministers

will face is how far Nato should go in defying Russia, which in June became the 20th country to join Partnership for Peace, the Nato-inspired military co-operation programme. Moscow has made plain that It would view Nato's expansion to include the Visegrad countries - particularly Poland - as an unfriendly act, unless the alliance also embraced Russia,

something which would transform Nato's character.
There are senior US, German, and British officials who

enlargement. Supporters of this view use two arguments. seriously - as a basis for dis-cussion - Russian proposals for a grand partnership hetween a Russian-dominated Commonwealth of Independent States and Nato.

see Moscow's hostility as a reason for treading carefully on One is thet Nato should take

This view may be anathema to cold warriors but it has its backers, especially in the Ger-

Albania be admitted. But most of the ministers meeting in Seville would need to drink plenty of sangria before they viewed that idea with any rei-

*Nato, Peacekeeping and the United Nations, a BASIC/BITS publication, £10, \$15.

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overhaul of diamond pact

By John Lloyd in Moscow

The leading official in Russia's diamond industry said that his country's present agreement with South Africae diamond group, De Beers, was "far from atisfactory" and would bave to be radically changed.

But Mr Yevgeny Bychkov, chairman of the committee on precious metals and stones, emphasised that Russia wanted to work with De Beers, dispelling fears that the relationship between the group that controls more than 80 per cent of world rough (uncut) diamond sales and one of the largest producers was near to collapse.

Mr Bychkov wants the present agreement, which runs until the end of next year, to be substantially modified, and wants to sign an agreement after 1995 "on a completely new basis".

Earlier this mouth, De Beers seemed to believe that the relationship was in danger and that the prospect of excluding Russia from the monopoly because of allegedly unsanc-tioned sales of diamonds would have to be considered.

Mr Bychkov also resolutely denied the estimations, tabled by De Beers in talks between the two sides this year, that "leakages" of diamonds from Russia outside of the agreement had totalled \$500m (£316.4m) this year. Mr Bychkov said that Russia had sold only \$120m worth of diamonds independently from De Beers - and that had been covered by agreements with the

"Everything else sold is just small change. We know who is dealing illegally in diamonds here and what they are selling is very little," he said.

While Mr Bychkov would give few details of the negotiations between the two partners, ha indicated that he wanted Russia's quota within De Beers' Central Selling Organisation (CSO) to he raised from its present 26 per it is not at present".

Almazy Rossti-Sakha, Russia's biggest diamond mining com-pany, is seeking \$2bn (£1.2bn) to invest in two new diamond mines over the next 10 years, Mr Vladimir Piskunov, company vice-presidant, said in London yesterday. The deposits are in the Prilensk and Daldvino-Alakitsk regions, writes Kenneth Gooding, Mining Correspondent. He said that the company's naw Juhilee (or Ubilinnaya) diamond mine, which cost about \$500m. would be in production next year. Mr Piskunov sald the mine needed only \$10m more. Western analysts pointed out that this implied the start-np would be at least three years behind the original schedule.

cent of total CSO sales because of growing production in

"We are producing more from Yakutia (the diamond producing region) than last year and next year we expect to produce more than this. So want our quota to he raised," Mr Bychkov said.

A rise in Russia's quota would mean a fall in that of the other member countries which Include South Africa, Botswana and Australia.

Another area of negotiation and dispute between the two sides concerns the joint ventures which Russia has formed with companies, especially from Belgium and Israel, to send diamonds abroad for polishing. De Beers considers that these consignments are exports

- while Russia believes that, since the diamonds remain the property of Russia and are returned to it, they cannot be counted as exports.

The De Beers agreement allows Russia to sell freely only 5 per cent of the diamonds it produces, while the remainder goes to the CSO. Mr. Bychkov said that "the present agreement must be improved, and a future agreement made mutually advantageous, which

Russia seeks Rouble fall threatens to undo everything goods, and an unward twist to inflation already said to be ris. Sobn later to stabilise the cur

By John Lloyd and John Thomhill in Moscow

Russian and foreign experts agree that if what is driving the fall of the rouble - which dropped a further 6 per cent yesterday - is not corrected, the government's economic achievements over the first eight months of this year will be set at nought. In danger, now, is the future of its economic strategy, of further assistance from the interna-tional financial institutions, and even of the government, they say.

However, some dealers and hankers view It differently. One said the rouble's fall - by more than 16 per cent this month alone - was merely the Central Bank of Russia's way of driving down the rate in order that it can sell hard currency to belp pay the govern-ment's dehts, especially lelayed wage hills.

Another said the central bank periodically adjusted its rate by intervening or (as now) refusing to Intervene until a rate which suits it is reached - "and then the rouhle becomes relatively stable

A third, more worrledly, said: "It should not get much worse. But if it does then the situation may run ont of coptrol very quickly."

The less sanguine analysis is that it will get out of control



dealer checking a Rbs50,000 note as he sells dollars in Moscow yesterday

quickly. Mr Yegor Gaidar, former prime minister, leader of the main liberal party Russia's Choice and head of the Institute for the Study of Problems of the Transitional Period, said yesterday that the rouble's fall reflected the rise in money supply which had been going on since April and was only oow working its way through in higher inflation because of the long time lag

between credit expansion and

The period in the summer when people had found it more profitable to keep their money roubles had ended, he said, and there was now a flight to the dollar driven by fears of rising inflation. "This is dangerous

.because It carries the risk of long term stagnation which would not be ended by the time of the (parliamentary) elections at the end of 1995."

"The trouble is that everyone tends to move one way in Russia," said a western finance official, "and this increases the speed of a collapse. And if you get the rouble falling rapidly, few governments can sit hack and watch it without attempting to clamp controls, like suspending trad-

The immediate effect of the drop will be a feed-through to higher prices for imported

inflation already said to be rising this month from last onth's low of 4 per cent to a level estimated by the government at 7 to 8 per cent and by others to be up to 10 per ceut.

this mouth and the next two is "inevitshle" even if the gov-ernment immediately tight-

ened its monetary policy.

The fluance miulstry, supported by the prime minister, has tried hard to screw down on spending - though extra credits were issued over the summer totalling Rbs7,000bn and Mr Gaidar sald that monetary growth doubled in the second quarier of the year compared with the first.

Already, the energy and military lobhies have opened the first rounds of the fight for more credits and the government's bones of getting the 1995 hudget through the parliament with the same case as it did the 1994 budget earller this year seem certain to be

The danger signals come just as the International Monetary Fund is staging its annual meeting, in Madrid, where it will entertain Russian demands for a standhy credit and other support.

Mr Lloyd Bentsen, the US treasury secretary, said in Washington on Monday that \$8hn-\$10bn could be available from the international finan-

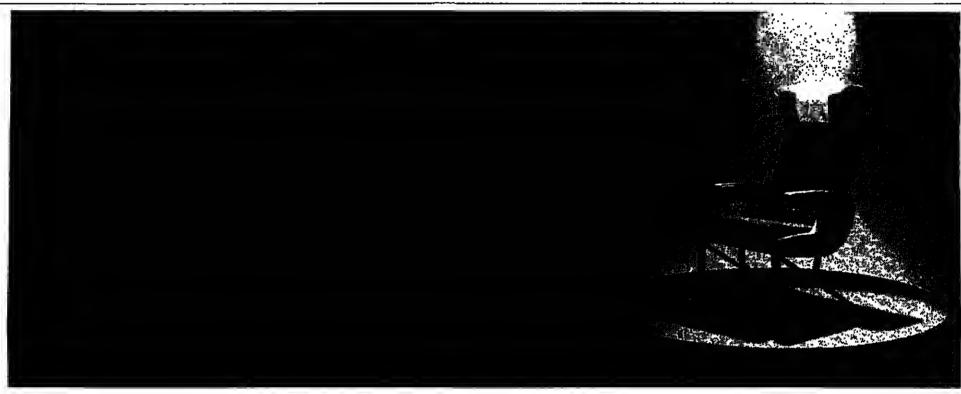
\$6bn later to stabilise the currency - if the Russlan goverostick to a reform programme more rigorous than their pres-

ent one. "The IMF should go to Russia and see what the situation is, see if there is something to support. Clearly it can't support any old programme," said

onc US official yesterday. However, the difficulty for the IMF, as for the Group of Seveo advaoced iodustrial nations, is to risk losing the present government if it is not supported with more ald - or to lose the aid if it is applied to a defective programme.

Mr Galdar, in comments yesterday, appeared to believe the Fund should be cautious. Asked what be would advise the IMF to do, he said: "I would look very carefully at the credit expansion in Russia the past three to four months. I would look at the planned expenditure of the dget and the real possibilities of financing that expendi-ture - that's the fundamental problem and If it's not solved then support could be incffec-

As Mr Yevgeny Yasin, an economic adviser to President Boris Yeltsin, wnrncd last week, "the government is standing on a very narrow strip of ground and can easily



Multi-speed EU rejected by Strasbourg

The European Parliament yesterday rejected by an overwhelming majority the prospect of a multi-speed Europe, but said at the same time that if recalcitrant member states like the UK continued to block further EU integration they should be hy-passed.

In spite of the strong endorsement of a carefully drafted resolution, yesterday's debate bighlighted the confusion and division inside the EU over the future shape and pace of integration.

Yesterday's resolution was backed by the two large Socialist and Christian Democrat blocs. It addressed the ideas mooted this month by Germany's governing Christian Democrats and the French gov-ernment, about a "hard-core" of Germany, France and the Benelux countries moving faster towards economic, monetary and political integration, while their partners followed

more slowly in their wake. MEPs from Italy, Spain, Greece and Portugal expressed their countries' fear of exclusion, hut still, in the main, backed northern MEPs' denunclation of blocking tactics by countries such as the UK. The parliament said: "It would be inconcelvable to exclude' member states ready and able to pursue integration with

'equal rights and duties". But it warned that "if a small minority of member states attempted to block all progress" in 1996, "ways would have to be found of allowing member states which want to pursue their efforts to achieve European Integration to still

The Maastricht treaty review conference in 1996, which will decide on the extent to which the Union must tighten its links in order to bring in new east and central European states, will still see govern-

ments in the driving seat. But the Strasbourg parliament, with new powers under Maastricht, won the right to take part in the 1996 review by threatening this spring to hlock the current enlargement process, designed to bring the Nordic countries and Austria

into the EU next year. The parliament is increasingly showing that it is willing to use its veto and vetting powers to make its views heard.

The resolution, alluding to recent British government comments about a multi-speed Union, also denounced the British and Danish opt-outs from the Maastricht treaty as the root of "dangerous speculatlon about an d la carie Europe", in which member states can dissoclate themselves from policies they dislike. All hut two of the 18 UK

After Maastricht there is already a two-speed Europe, but the mistake is to think this is permanent'

Conservative MEPs remaining in Strasbourg abstained, regarding the debate as "premature", as Tory Euro-MP

Brendan Donnelly put lt. But amid the welter of multilingual mixed metaphors about ships and convoys, hares and tortoises, conceutric circles, menus and "variable geome try", disgust at the ability of one state to use a veto to delay decisions outweighed distaste at an elitist "hard-core". The former Belgian minister

and liberal MEP, Mr Willy de Clercq, said that "if one speed means standing still that cannot be". Former French Socialist prime minister Michel Rocard dismissed much of the debate as bypocrisy, pointing out that after Maastricht there is already a two-speed Europe, hut "the mistake is to think this is permanent".

Ms Elisabeth Guigou, the former French Socialist minister for Europe, said an à la carte solution would be divisive, "but we cannot allow one country or group of countries to block progress." Mr Günter Rinsche, a German Christian Democrat leader, defending his party's floating of "hard-core" built round the Franco-German axis, argued that the Union should use flexconstructing integration.

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NEWS: INTERNATIONAL

shopping hits luxury stores

By William Dawkins in Tokyo

Japanese consumers' growing appetite for discount shopping contributed to a decline in turnover at high-priced department stores and supermarkets last month.

Sales at large retailers fell 1.7 per cent in the year to August, more than wiping out a 1.2 per cent rise in July that had appeared to break a 25-month run of declines. Department stores, where

prices tend to be highest of all, were hardest hit, with a 3.6 per cent sales fall, the Internaional Trade and Industry ministry said. Supermarket sales

Discount stores bave been the main beneficiary of a rise In consumer spending. Yet they are not included in government statistics on retailing, nor in official measures of

Consumer goods prices are falling by 0.4 per cent annually, twice as fast as shown by the latest government deta, for July, a snrvey hy Sanwa Research Institute shows. Sanwa estimates disconnting is depressing gross domestic product by 0.3 per cent a year. The rise in cheap imports is depriving Japanese manufacturers of 0.8 per cent of production, worth Y1.800hn (£11.6bn) a year, Sanwa

Reuter reports from Tokyo: Japan'a Labour Ministry has told hundreds of companies to scrap discriminatory practices against women. Of 655 companies investigated, 264 financial institutions and 51 broadcasting stations were found to violate Japan's equal employment law, the ministry said. The law requires employers

to treat women equally in recruitment, wages and promotion, and forbids discrimination in training, retirement and dismissal, but lacks penal-

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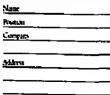
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Discount Opposition forms voting bloc in Japan

Nine Japanese opposition parties and groups yesterday formed a parliamentary voting bloc, a decisive step towards creation of the first strong opposition party in nearly 50

The new Kaikaku, or Renovatioo, group commands 187 lower house seats, slightly less than the 200-member Liberal Democratic Party, the biggest member of the three-party government coalition of conservatives and socialists.

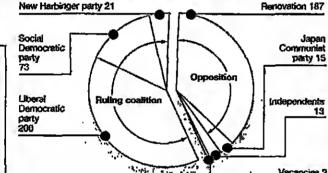
Recovation's birth fruit of intensive backroom negotiations over the aummer puts pressure on the three-moothold government as it prepares for its first parliamentary session, due to start tomorrow. Group members aim to turn themselves into a party proper in November, once they have settled on a leader. Former premiers Tsntomu Hata and Toshiki Kaifu are top contenders, a

TV poli showed.
Mr Ichiro Ozawa, who brought together the previous two government coalitions and helped form the group, will take behind-the-scenes control of Renovation as chairman of its action committee, similar to a chief whip. He is unlikely to stand for the party leadership, preferring to exercise influence from the wings.

Renovation's moderate policies are close to the government, though its leading members lean toward a slightly more assertive foreign and defence stance. A statement yesterday promises "a politics of responsibility that does not postpone problems".

The latest battle lines

Lower house of Japanese parliament, 511 seats



Its members broadly support the most important bills due to come to parliament thia autumn, on electoral and tax reform, but will seize on any weaknesses in the government

coalition to woo defectors. Mr Ozawa's 62-seat Japan Recewal Party, dominant member of the previous two coalitioo governments, is Reno-vation's largest member, followed by the 52-seat Komeito (Clean Government) party, supported by Soka Gakkai, a cash-and-vote-rich Buddhist organisation.

Renovation's arrival springs partly from the financial and political incentives for the opposition to close ranks before a new political and electoral system takes effect at the turn of the year.

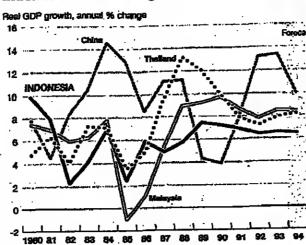
From January, political partles will qualify for a Y30.5bn (£198m) annual public subsidy, designed to reduce their dependeoce oo corporate donors. Larger parties will qualify for a disproportionately larger subsidy than smaller ones. because the share-out is determined by parties' speoding in

the previous year. The parties in Renovatioo have little chance of a combined majority if they individually fight a general election under the new system.

How much power to be accorded Mr Ozawa is another issue yet to be clarified. before the merger can be consummatedMr Ozawa'a allies value his political skill but this is tinged with wariness of being dominated by him. Soka Gakkai's positioo is sensitive because of Japan's separation of state and

Economists point to several of the country's largest industries, such as food processing, petrochemicals and pulp and decades by tariff barriers and import bans. They say that this could be costing the economy as much as 2 per cent in annual

Indonesia and its neighbours





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'Favours' blamed for putting Indonesia in second division

Manuela Saragosa on accusations of politically motivated protection

ost economists agree that Indonesia is poised to join its neigh-bours in the newly industrialised economy ranks. Average annual economic growth of 6.6 per cent over the last 25 years has earned the country a reputation for stability and promising growth.

However, disgruntled Indonesians say public and private monopolies that enjoy high tariff protection are an impediment to faster growth.

With oearby Thailand and Malaysia averaging growth rates of between 8 and 10 per cent a year, and an even faster pace in China, they are saying that 6.6 per cent is not good enough.

Most receotly, they point to a presidential decree giving tariff protection to a \$1.7bn petrochemical plant in West Java, called Chandra Asri. The plant, due to come on stream next year, will produce olefin products for the first time in Indonesia. The decree prevents cheaper olefin products from entering the country.

It emerged that the plant is jointly

owned by Mr Prayogo Pangestu, a well-connected tycoon with a majority stake in the hig timber company PT Barito Pacific Timber, and President Suharto's son, Mr Bambang Trihatmodjo.

Private-sector economists and opposition parties complain that decisions on protection are arbitrary, with policy-makers favouring their close contacts. Protection. they complain, depends on political favouritism rather than economic logic.

paper, all of which have been protected for growth.

"In the context of Indonesia, which is seeking to become a more competitive tant knock-on effect because they increase the cost of raw materials to downstream industries," says a Jakarta-based econo-

An Indonesian campaign against prostitutes, beggars and suspected criminals in Jakarta ahead of November's Asia Pacific Economic Co-operation summit has led to increased human rights abuses, Amnesty International said yesterday, Victor Mallet writes from Bangkok.

The government had put in 15,000 military and police officers "to clear the streets of political and criminal 'undesirables'," Mr Pierre Sané, secretary-general of the London-based human rights group, said in Bangkok. Excessive force had been used in breaking up peaceful demonstrations, with scores of alleged criminals

shot dead, Amnesty said. Jakarta residents could not confirm how many extra troops had been sent to the capital, but said government forces had been seen clearing beggars off the streets to improve Indonesia's image for the summit meeting, to be attended by President Clinton. Amnesty, which yesterday launched a report* on Indonesia's human rights record, wants rights and labour issues raised during the summit. *Indonesia and East Timor - Power and Impunity: Human rights under the New

The government has stood its ground on protection for the Chandra Asri plant. Mr Sanyoto Sastrowardoyo, state minister for investment, says the tariff protection is necessary because industries such as Chandra Asri take a long time to make adequate returns on their investments. President Suharto says protection for industries is a temporary measure.

The issue is made more sensitive by the fact that most of the largest Indonesian conglomerates are controlled by ethnic Chinese and there is growing resentment at their dominant role in private husiness.

There is also a more general assault on the role of "big business" in Indonesia's being seen as preventing smaller companies from setting up, thus limiting the benefits of growth to a small portion of "It should be a level playing field but those who are benefiting the most are the hig players," says Mr Laksamana Sukardi, a prominent member of the opposition Democratic Party, the PDI. "That has accelerated the accumulation of wealth in a few hands."

The government is not immune to these criticisms. Efforts have been made to reduce tariffs and liberalise the economy. Earlier this year a trade liberalisation package cut import duties on 739 goods, lifted non-tariff barriers on 27 commodities and removed import surcharges in 108

Many market-skewing measures remain, however. In the food-processing industry, for example, the government controls the price of sugar, which keeps the cost of a key raw material artificially high.

The pulp and paper industry is another that comes under intermittent attack. The domestic industry is dominated by the Sinar Mas group, Indonesia's second-largest conglomerate. The influence of Sinar Mas and other Indonesian paper manufac-turers has been sufficiently strong to ensure a 40 per cent tariff on imported paper. Indonesian printers complain that paper accounts for 70 per cent of their production costs, and many smaller print-

ers have been forced to close.
"There needs to be further deregulation but this has been met with a lot of resistance in the government because (many) areas of the economy deliver huge profits to key economic players," says a Jakartabased economist.

The government is aware of the complaints and ministers advise patience: "We are going in the right direction," says Mr Tunky Ariwibowo, minister of industry. But economists complain that there is no timetable for phasing out tariffs.

"It does moves slowly here compared with other south-east Asian economies but deregulation has been a consistent policy," says a Jakarta-based consultant. "You have to remember that in a 10-year period Indonesia has moved from a highly-pro-tected import substitution economy to an export-oriented economy."

Indian plague cases soar to 1,400

Recession

Plague cases multiplied in India yesterday as the authorities struggled to control the deadly disease and assuage domestic and international

The total of reported cases of suspected plague rose to 1,400, with about 500 new cases yesterday, mainly in the western city of Surat, where pneu-monic plague hroke out a week ago, and in the remote eastern part of Maharashtra state, where hubonic plague first struck a month ago. The government's national instiinte for communicable dis-eases also recorded three more deaths, taking the official toll to 47, though unofficial esti-

mates ran as high as 100. The health authorities were anxiously watching for signs that 300,000-plus people who have fled Surat have spread the disease. About 30 suspected cases have been recorded in Delhi, more than 40 in the tourist mecca of Rajasthan and about 50 in Bombay, the country's commercial capital which lies close to Surat. Further isolated cases have been reported as far away as Calcutta.

Other countries have taken precantions against the disease. Pakistan has hanned flights from Bombay and is considering auspending services from Delhi, Saudi Arabia yesterday hanned all flights from India, forcing a Jeddah-bonnd Air India jet to turn back in mid-flight.

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The UK, US, Germany, and France are among countries which have started monitoring visitors from India and urging them to report to a doctor is they develop fever-like symptoms. Some governments, including the UK, have also urged their nationals to avoid travelling to Gujarat state, which includes Surat.

In Germany, which has put out the strongest warning, at least two tour groups have cancelled holidays to India, raising fears that the outbreak will affect the Indian travel industry.

The plague has also seriously disrupted business in Surat, a city of 2m with important textile, chemicals and diamond polishing industries. The Guiarat Chamber of Commerce and industry estimates the city is losing about Rs500m a day in turnover, due to the absence of owners, managers and workers who fled. The plague has prompted bursts of public anger at the failure of the health services to provide adequate care, particularly in Surat, where protestors have stoned private clinics abandoned by their

No Pyongyang N-deal in sight

Mr Robert Gallucci, US ambas-sador-at-large, and Mr Kang Sok-in, North Korea's first deputy foreign minister, met yesterday morning in a bid to unhlock atalled negotiations on eliminating Pyongyang'e nuclear capability, Frances Williams writes from Geneva The US said afterwards there

had been "an extensive exchange of viewa" while North Korea described the dis-cussions as "serious and busi-nesslike". The two sides plan to meet again today.
US officials had hoped to wrap np a deal with North Korea this week granting the

atomic reactor technology in return for full disclosure of its nuclear activities, current and past. But additional demands hy Pyongyang, going well beyond an ontline agreement reached last month, quickly brought the talks to a stand-

Nigeria wastes \$12bn revenue

Nigeria's military rulers squandered more than \$12bn of oil revenue without proper accounting between 1988 and June 1994, an official report eald, Reuter reports from Lagos. The money had been placed in accounts set up in 1988 for special projects and to receive a windfall of oil revenue from the Gulf War, said Plus Okigbo, chairman of the panel on the reform and reorganisation of the Central Bank of Nigeria (CBN).

He called the handling of the accounts "a gross abuse of public trust". Money from the accounts was spent in less than six years on what could

Egypt rounds up militant **Buthelezi** suspects after shooting

Tourism will feel the blow, writes Mark Nicholson

tants in Hurghada, 500km south of Cairo, following an attack by two gunmen late on Tuesday in which a German tourist and two Egyptians were

A second German shot in the attack was said yesterday to be "stable" after a bullet was removed from his stomach. Witnesses said two men drew up in a lorry, then opened fire with automatic weapons on a group of tourists in Hurghada's market, before fleeing into an adjacent residential area.

The attack has raised fears of a renewed campaign by Islamic militants against tourist targets following a fivemonth lull - the result largely of a tough and concerted security operation which the Egyptian government claimed had broken the back of militant Islamic groups.

No group has claimed responsibility for Tuesday's

shooting. However the Gamaa al-Islamiyya, which previously

was behind the attack earlier this month at Abu Tig in the south in which a young Span-ish tourist died.

'It makes no difference if the gunman is a lunatic or a

now have been free of incidents throughout the Gamaa al-Islamiyya's two-year-old campaign to put pressure on the government by ruining the tourism industry. It is also the first time gunmen have fired directly at tourists, rather than from a distance at cruise boats

Egyptian security forces claimed attacks on Nile cruis-yesterday rounded up more than 30 suspected Islamic mili-Cairo and upper Egypt, said it International Conference on

Population and Development. Mr Mamdouh al-Beltagui, Egypt's tourism minister, said only a few days ago the tourist arrivals were showing a "steady increase", with arrivals in July up nearly 15 per cent on a year ago and 35 per cent up in August - bettering even Egypt's record year in

Bookings for the main winter season, which traditionally draws Europeans to Egypt's historic sites and beaches, are only now being offered by travel agencies. Diplomats and hoteliers in Cairo said they feared the attack could nip the industry's revival in the bud. "It makes no difference if the

gunman was a lunatic or a terrorist," said a spokesman for the German embassy. "The effect is the same." Germans are traditionally the second most numerous The attack comes at a damaging time for tourism, which Egypt after Britons.

'sorry' for TV fracas

South African Home Affairs Minister Chief Mangosuthn Buthelezi, who is also leader of the Inkatha Freedom Party, offered an unconditional apology for having burst into a television studio on Sunday night to confront a political rival during a live broadcast, Mark Suzman reports from

Johannesburg.
The uncharacteristic apology by the combative minister, which came after he had been formally censured by the cabinet for "a serious violation of the right to freedom of speech and freedom of the press," and freedom of the press,"
appears to have defused the
controversy over the incident
for the time being. However,
Chief Buthelezi remains under
continued political pressure
over his relationship with
Zuln king Goodwill Zwelithini
who last week broke off relations with the Chief tions with the Chief.

Speaking at a joint presa conference with President Mandela in Pretoria, Chief Buthelezi said that he had apologised to the President

Clarke calls for laundering curb

By Philip Coggan in Valletta

Mr Kenneth Clarke, UK Chancellor of the Exchequer, yesterday called for concerted international action against money laundering.

"Money laundering poses a
threat to every member of the
Commonwealth," said Mr

Clarke in a speech to the Commonwealth Finance Ministers' meeting in Malta. He said it allowed drug traffickers to develop and expand their operations, illegal arms dealers to spread more and deadlier weapons to terrorists, and international frandsters to bleed economies dry. Rough estimates of the total

amount of criminal money which may be laundered run np to \$500bn (£333bn) a year. Mr Clarke said finance min-isters should take forward the recommendations of the Financial Action Task Force (FATF), set up by the Group of Seven countries in 1989.

They ebould ensure financial institutions know their customers and do not operate anonymous bank accounts, he complex or unusual transac-tions, and develop pro-grammes against laundering. Finally, supervisory authorities should ensure financial

institutions have adequate procedures in place to combat the laundering. Commonwealth finance ministers called on their secretarygeneral to convene a meeting of senior officials from finance

proposals. Meanwhile, the ministers "warmly welcomed" British proposals to extend debt relief for poor countries on deht owed to supranational institu-tions such as the International Monetary Fund. The communiqué called on the "IMF, the World Bank and other multilateral development banks to consider these proposals in a

ministries and central banks

to make progress on the FATF

constructive spirit". The British plan, which would involve the sale of up to 10 per cent of the IMP's gold es, will be discuss the IMF meeting in Madrid. Proposals for DAF gold sales have foundered in the past.

Leslie Crawford on reports of revenge killings which have exposed the failure of the UN in Rwanda

Inquiry begins into alleged Tutsi massacres

United Nations experts flew into Rwanda yesterday to investigate whether the victorious Tutsi army has been involved in reported massacres of returning Hutu refugees. The allegations of systematic

revenge killings were first made hy the UN High Commissioner for Refu-gees (UNHCR) at the weekend. They have been denied by the army-installed government in Kigali and have seriously embarrassed other UN agencies working with Rwanda's new

Mr Boutros Boutros Ghali, the UN secretary-general, has ordered a news blackout on reports of the revenge killings, which have exposed the failure of the UN assistance mission in Rwanda to protect the lives of Hutu civilians.

July, when the Rwandan Patriotic Front, a Tutsi-led guerrilla army, defeated a Hutu government guilty of directing massacres against the country's minority Tutsi population. Human rights groups estimate up to 1m Tutsis were killed in the final three months of Rwanda's civil war. The new government says it wants Hutu exiles to return. Without them,

It cannot rehuild Rwanda's war-shattered economy or create stable politi-cal structures. The government also fears the teeming refugee camps in Zaire and Tanzania could prove fertile recruiting grounds for the remnants of a defeated Hutu army intent on

But UNHCR officials suspended the repatriation of Hutus this week after

More than 2m Hutus fled Rwanda in a team of investigators uncovered evida's Tutsi community. dence of recent mass graves and heard witness accounts of atrocities allegedly committed by soldiers of the Rwandan Patriotic Front. "As an agency which protects ref-

ugees we cannot in all conscience send Hutus back," a UNHCR official said yesterday in Geneva. Mr Pasteur Bizimnngu, Rwanda's new president, has accused UNHCR of

spreading malicious rumours. While the new team of UN investigators investigates further the conduct of the Rwandan Patriotic Front, several human rights groups have begun to criticise the failure of the UN to deploy security troops inside Rwanda and to start international legal proceedings against those who masterminded the genocide of Rwan-

Only 26 human rights monitors have been deployed inside Rwanda, in spite of Mr Boutros Ghali's pledge to send 147 in August. UN-appointed human rights officials, briefed to gather evidence of war crimes, have been denied the personnel and financial resources they need to proceed

with investigations.

The Paris-based International Federation of Human Rights, in an open letter to Mr Boutros Ghali, asks: "Do these inadmissible delays by the international community mean that Africa should be considered a second-class continent and that genocide against Africans is less serious than genocide in Europe?

Another report*, published today by African Rights, a London human

rights group, argues that the UN is "squandering a golden opportunity to stop the cycle of impunity in

The 442-page document includes dozens of testimonies of Tutsi survivors, and argues that enough evi-dence has been amassed to extradite those guilty of genocide from Zaire and other countries.

It reminds the UN of its legal obligation under the Genocide Convention to hring prosecutions for crimes against humanity. Ms Rakiya Omaar. a co-director of African Rights, says sbe hopes the report will shame the UN into taking action.

*Death, Despair and Defiance, by African Rights, 11 Marshalsea Road, London SE1 1EP, tel: London (71) 717-1224



Recession is dead and world output is set to expand

By Peter Norman, Economics Editor, in Madrid



The International Monetary Fund has at last dared to call an end to the recession. Its latest World Economic Outlook says tba

broadening and strengthening of recovery in the industrialised countries marks the end of the "long and unnsually severe downturn" in recent years. It expects world output to expand 3.1 per cent this year and 3.6 per cent in 1995, or at twice the rate for 1990 to 1993.

The industrialised countries are forecast to grow by an average 2.7 per cent this year and naxt, reflecting an increase of 0.4 percentage points in forecast growth for 1994, against the IMF's last forecast in May and a slight upwards revision of 0.1 points for 1995. The developing countries should grow at more than twice this rate: by a forecast 5.6 per cent this year and next. The IMF draws comfort from

stronger signs of a turnaround in continental Europe and more tentative signs of recovery in Japan. It has raised its forecasts for German growth to 2.3 per cent this year and 2.8 per cent in 1995, up 1.4 and 0.6 points respectively from the forecasts published five months ago.

It expects France to grow 1.9 per cent this year and 3 per cent next. Its projections of 3.3 per cent and 3 per cent growth for the UK in 1994 and 1995 respectively are more bull-

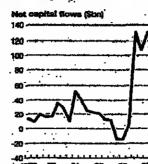
ish than the British government's. Canada and the US are seen as the fastest growing of the Group of Seven industrial countries this

year, with forecast growth of 4.1 per cent and 3.7 per cent respectively. While Canada's growth is expected to slow to 3.8 per cent in 1995, the US's will decelerate to 2.5 per cent next year. This deceleration, which the IMF expects because of mouetary tightening, would push US growth below the 2.7 per cent aver-age projected for G7 nations and the industrial world as a wbole.

The IMF's growth forecasts for Japan have been raised 0.2 percent age points for this year and next to 0.9 per cent and 2.5 per cent respec tivaly. A "particularly positive" aspect of world economic developments remains the rapid expansion of many Asian and some Latin American developing nations, such as Argentina, Chile and Peru.

The IMF draws comfort from large margins of slack between actual and potential output in many countries. Apart from the US, where little or no slack is left in output and labour markets, "output gaps" ranging from an estimated 1.7 per cent in Germany to 5.6 per cent in Japan reduce inflation dangers.

The report states all this gives no grounds for complacency. Areas exist where output continues to fall, as in the former communist states of Russia, Ukraine and Belarus. Despite signs of improvement, economic conditions remain difficult in much of Africa. In the industrial Developing countries



with difficult tasks if they are to secure a strong, long-running expansion with low inflation and high investment that can help cut ployment.

They must avoid the policy failures of the 1980s and safeguard a high degree of price stability. That means acting promptly to raise interest rates in anticipation of inflationary pressures as recovery takes hold, and strengthaning

efforts to cut fiscal deficits.
"A critical policy requirement is
the need to deal with the large fiscal imbalances that have lifted gross debt in the industrial countries as a group to nearly 70 per cent of gross domestic product from

40 per cent in 1978."
Fiscal imbalances heva contributed to high real interest rates and weak private investment over the past decade. Governments recognise

the problem and are acting, but con-solidation plans "in most cases... 1989, net outflow from developing countries totalled \$14hn; last year it

The IMF draws a moral from the recent rise in worldwide bond yields, which hit countries with large fiscal imhalances such as Italy, Sweden and Finland hardest. Here, an urgent need exists to strengthen the fiscal outlook, to establish greater credibility.

But macroeconomic measures alone will not solve the world's economic problems. Reducing structural unamployment, which is Europe's big problem, will need fun-damental labour market reforms, fincluding lowering and restructuring unemployment henefits and related programmes, lowering minimum wages in some countries, reducing non-wage labour costs, liberalising employment and wage-set-ting practices, and strengthening training programmes'

The Uruguay Round needs to be implemented. More liberalisation of markets is needed in many industrial countries. All coontries must introduce reforms to curb rising budgetary costs of health care and pensions. The IMF predicts strong overall growth in the developing countries, but notes conditions vary. The most successful have created a stable macroeconomic environment, encouraged domestic savings and implemented structural

reforms that increase efficiency.
The Fund worries that the rise in private capital flows to developing nations over the past five years

could in some cases backfire. In

exceeded \$130bn

Not all countries benefiting from capital inflows have done so because of investment opportunities or strong fundamentals. Some may have been beneficiaries of a "general enthusiasm for emerging financial markets". For them, "the risk of sudden changes in market senti-

ment is particularly serious". Those former communist countries such as the Baltic states, the Czecb Republic, Hungary, Poland, the Slovak Republic, Slovenia, Albania and Mongolia which implemented market reforms, "are now growing, or appear to be on the threshold of recovery, and prospects for continued growth are good."

in others, including Russia and the Ukraine, output continues to contract and more must be done to control inflation. Enormous difficulties must still be faced over structural reform in Russia and some other "transition" countries.

Many banks and companies are

insolvent. Large payments arrears have built up. Progress on land reform and farm privatisation has been limited. Subsidies and cheap credits distort market signals. The framework for a market economy, including business laws, accounting standards, and a modern banking system, is only gradually being put in place. "Widespread corruption and crime threaten to undermine support for market reforms." The World Economic Outlook: to be published next month.

Projections overview (annual % change)

	Current Projections				es from Ma; Tojections		
	1993	1994	1995	1994	1995		
forld output	23	3.1	3.6	0.1	-0.2		
dustrial countries	1.3	2.7	2.7	0.4	0.1		
S	3.1	3.7	2.5	-0.1	-0 1		
tpan	0.1	0.9	2.5	0.2	0.2		
ethery.	-1.1	2.3	2.8	1.4	0.6		
rance	-1.0	1.9	3.0	0.7	0.5		
ally	-0.7	1.5	2.8	0.4	0.3		
ĸ	20	3.3	2.0	0.8	02		
anada	2.2	4.1	3.8	0.7	-0.3		
even countries above	1.4	2.8	2.7	03	0.1		
ther industrial countries	03	2.4	3.1	0.8	0.3		
J	-0.3	2.1	2.9	08	0.3		
eveloping countries	6.1	5.6	5.6	0.1	-0.2		
rica	1.0	3.3	4.5	-0.1	-		
Żą.	6.5	8.0	7.3	0.5	-0.1		
ddle East and Europe	4.B	1.4	2.5	-16	-1.3		
estern Hemisphere	3.4	2.6	3.3	-	-0.1		
ountries in transition	-9.0	-8.3	-1.0	-2.2	-2.4		
entral and eastern Europe	-5.7	-5.4	1.4	-2.3	-1.0		
cluding Belarus and Likraine	-23	1.4	3.1	-0.5	-0.5		
15343	-12.0	-12.0	-3.9	-21	-3.9		
onecaucasus and central Asia	-10.7	-6 .8	0.1	-1.8	-2 4		
orld trade volume	4.0	7.2	5.9	1.4	-0.4		
dustrial country import volume	1.8	72	4.8	1.8	-0+		
weloping country import volume	9.3	7.2	7.9	-O 1	-13		
ommodity prices							
	-11.5	-6.0		8.7	-5.9		
US dollars a barrel	16.13	15.16	15.15	1.40	0.58		
enfuel.	-3.8	13.16	6.5	7.6	4.4		
onsumer prices							
dustrial countries	2.9	2.4	2.6	-0.1			
eveloping countries	45.2	47.5	13.2	86	1.2		
ountries in transition	687.9	330.8	89 4	40.7	16 1		

Experts give some to cut unusually public outspoken spending advice

It is unclear whether it is the effect of global economic recovery or the heady sensation of celebrating its 50th birthday: hut the latest World Economic Outlook from the IMF is more straightforward in the policy advice it gives its members than previous issues.

It is particularly outspoken about the need for the US to raise interest rates further. Early in its report, it declares that "further increases in policy-related (US) interest rates are needed...if overheating and a rise in infla

tion expectations are to he

The Fund later declares that "virtually all indicators now suggest that little or no slack is left in output and labour markets" in the US. It writes: "Given the current cyclical position, there is an increasing need to move US monetary policy to a neutral position consistent with potential growth of about 2.5 per cent a year by

raising rates further." Explaining this advice, Mr Michael Mussa, director of the IMF's research denartment said yesterday the Fund was not advocating a sharp rise in US rates. But it thought more tightening would be needed over the next six, nine or 12 months. Central banks, such as the US Federal Reserve, needed to be leaders, not followers, in financial markets.

The Outlook points out that, in spite of recent increases, both short- and long-term US interest rates remain low compared with the 1980s as a whole, and even with the mid-1980s. The Fund maintains that, in real terms, US short rates averaged 4.5 per cent and long rates 6 per cent in 1985-90, against 1.5 per cent and 4.25 per cent in mid-1994.

The IMF also urges the US to take further steps to reduce its budget deficit to put its debt-to-GDP ratio on a downward trend.

The Fund appears more satisfied with Japanese and German monetary policies. Although Mr Mussa said a small further drop in German rates was possible if the recovery slackened or inflation fell, the bottom for this husiness cycle had nearly been reached.

The IMF warns Japan it will have to resume fiscal consolidation over the medium term, "including a comprehensive social security and tax reform to forestall an unsustainable increase in public debt as the

population ages".

Some of its toughest words are reserved for Italy, which yesterday put forward new budget plans. "Credible efforts to put the unsustainably high debt ratio on a declining trend during the balance of the decade are essential for Italy's longer-term financial stability and growth prospects," it says.

The IMF envisages a jump to 5.5 per cent in three-months' US interest rates next year from 4.4 per cent this year, against a rise to 2.7 per cent from 1.9 per cent for yen rates. It expects the three months' D-Mark rate to slip slightly to 4.8 per cent from 5.2 per cent

UK told targets

By Peter Norman

The IMF last night told Mr Kenneth Clarke, the UK chancellor, that he should cut public spending targets in his November budget to increase the credibility of Britain's eco-

nomic policy.

Mr Michael Mussa, director of the IMF's Research Department, also warned that further UK interest rate increases rould be needed at some point following this month's half percentage point increase in bank base rates.

In its latest World Economic diture restraint was critical to the government's objective of eliminating public borrowing by the end of this decade.

It said that the decisions taken in last year's two budfiscal deficit had already bronght a sizeable reduction in both actual and structural deficits this year. "Redncing nominal spending cellings in the upcoming budget to reflect lower-than-expected inflation will be important to enhance policy credibility," it added.

The IMF's comments suggest that the government's control totals in 1995/96 and 1996/97 should be cut from the £263bu and £272.3bn agreed last November. The remarks could prove helpful to Mr Jonathan Aitken, the chief secretary, who is currently negotiating with spending departments to keep public spending for 1995/ 96 and subsequent years inside the government's limits.

It is unclear how far the follow the IMF's advice. So far he has maintained that hitting the spending targets in this year's public expanditure round would be tough.

According to IMF estimates the government's consolidation plans should stabilise the UK's ratio of net debt to gross domestic product at about 40 per cent by 1997.

The IMF painted a generally upbeat picture of the UK economy. It forecast it would grow by a real 3.3 per cent this year and 3 per cent in 1995 - well above the government's forecast of 2.75 per cent growth

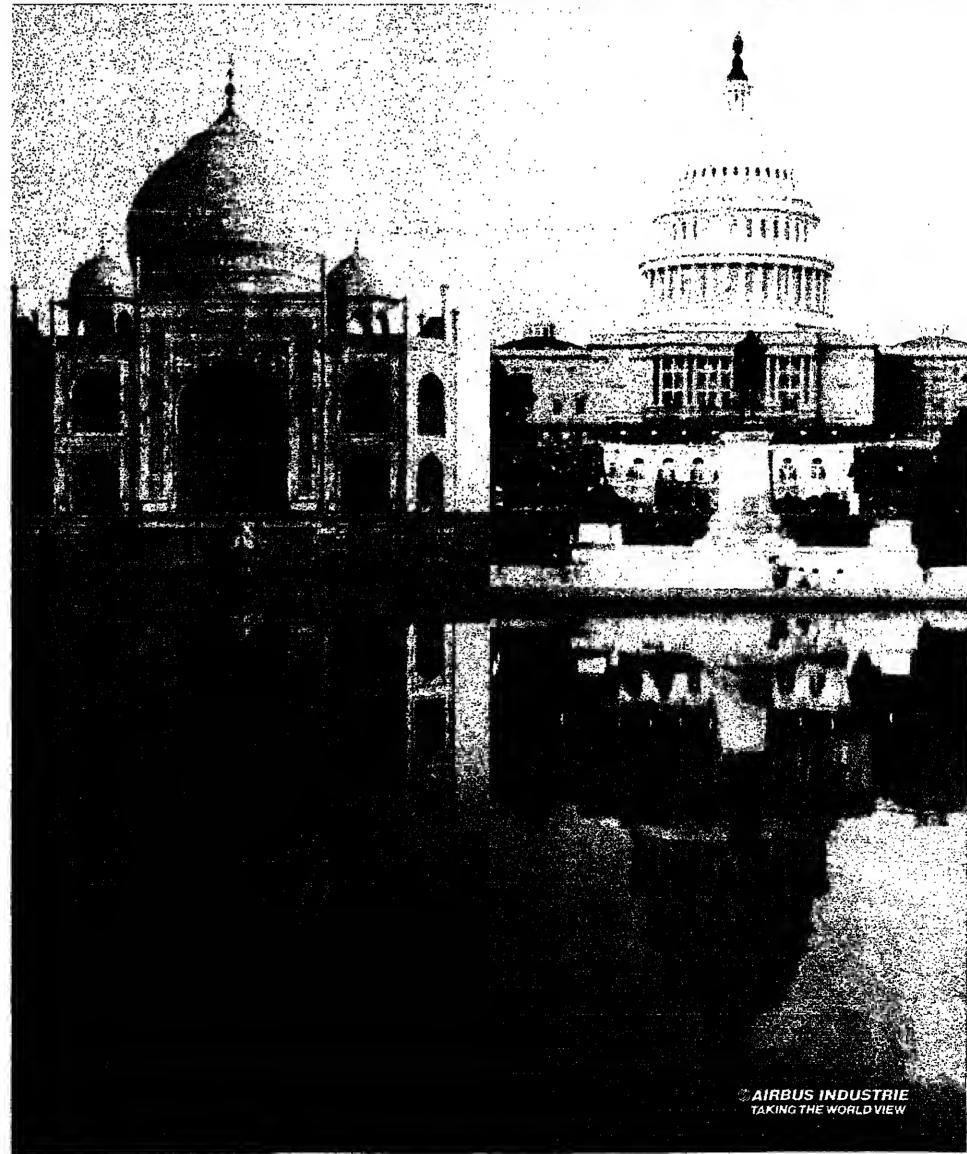
for each year.
It said that output growth in Britain began recently to outpace potential. It estimated the output gap — a measure of spare capacity expressed as a percentage of GDP - at a relatively high 4 per cent, adding that it would be eliminated only in the medium term.

However, it also predicted that inflation, measured by the government's "underlymeasure of retail price inflation excluding mortgage interest payments, would average 3.1 per cent next year. That would be higher than the 2.5 per cent anticipated by the IMF for this year, and in the top half of the government's 1-4 per cent target range.

In predicting a future interest rate rise. Mr Mussa told a news conference he was not talking in terms of weeks or months. However, some form of tightening of monetary conditions would be needed in the

The A340 has brought Delhi closer to Washington D.C.

The A340 is the langest range aircraft in civil aviation history. It can fly a full complement of passengers, in true wide-body comfort, for over 16 hours non-stop. This opens up a whole new route network for the world's airlines. For example, the A340 can easily fly non-stop all the way from Frankfurt to Santiago, New York to Cape Town or Delhi to Washington D.C.





US durable goods orders rise sharply

in Washington

US durable goods orders rose sharply in August, the Commerce Department reported yesterday, signalling that the US economy is continuing to expand steadily.

The Commerce Department announced that new orders for manufactured durable goods rose by 6 per cent last month to \$154bn, a slightly steeper increase than had generally been expected.

The increase provoked short-lived fears in the financial markets that the Federal Reserve would need to raise interest rates further to bring the pace of economic growth back to a steadier and less inflation-prone level.

But the jump was not much larger than bad been anticipated and was set against a 4 per cent decline in July. After an initial flurry markets settled back to watch other indi-

The Federal Open Markets Committee, which sets the Fed's interest rate policy, made no announcement of any change in interest rates after its meeting nn Tuesday. Financial markets have interpreted

Strike hits GM plants

gave Mr Alan Greenspan, the Fed chairman, considerable leeway to raise interest rates if economic data before its next meeting in November show the economy still growing faster than can be sustained without

an upsurge in inflation. But the Fed chairman was not expected to respond so soon after the FOMC meeting to one apparently strong economic statistic, particularly one as volatile as durable goods orders, which can bounce wildly because of a

handful of new aircraft orders. Mr Ron Brown, commerce secretary, said the durable goods data indicated investment was still an important factor behind economic expansinn. He called this "a positive sign for productivity growth prospects and for sustained moderation in inflation".

The commerce department said motor vehicles and parts contributed to over half both of the rise in orders in August and of the fall in July because some car makers had retooled for the new model year a month earlier than usual.

Transportation equipment, including aircraft, rose 19.1 per cent in August after dropping 14.8 per cent in July.

Yeltsin pledges **'lasting** peace'

President Boris Yeltsin nf Russia yesterday promised a lasting peace between bis country and the US as he approached the end of his two-day summit with US President Bill Clinton.

"There are people in my country, though few, who say that our relationship with the US is transient and that an era of confrontation will return. But I would like to tell you that we have never fought the US and I believe, and I can say as president of Russia, that we will never fight the US," he

At the Library of Congre where the two presidents opened an exhibition on the Russian Orthodox Church and the indigenous peoples of Alaska, Mr Yeltsin continued the bonhomie and back-slap-ping that bas marked this

radicals from my country – people of poor education, I think, and of very low origins
— who demand Alaska back for Russia. But I don't think this is serious stuff," Mr Yeltsin said, referring to the call sometimes made by Mr Vladimir Zhirinovsky, the Russian



ured summit: Yeltsin at a White House dinner

return of Alaska, which the US bought from Russia in 1867 for

the two countries remain unresolved, although one of the sharpest disagreements, over whether to lift the embargo nn arms deliveries to Bosnia, has at least been put on ice by the Bosnian government's request

Mr Yeltsin yesterday

ing the embargo. "Now the Bosnian Moslems think they have to wait six months. Let's wait for six months and then perhaps we can decide once and for all that this should not

US officials said some agree ment was expected on another issue that has caused friction between the two countries: Russian sales of military equipment, especially subma

Summit fails to resolve rift on Bosnia | Haitian MPs fly back . to draft amnesty law

rum." He added: "It [the parlia-

ment] is a Haitian institution.

that some of the 13 parliamen-

tarians in hiding in Haiti

would also attend. The 82-per-

son Chamber of Deputies has not mustered the necessary 42

'US military

idly by while

this looting

goes on'

in 16 months.

Cédras regime.

will not stand

members to achieve a quorum

US servicemen working side-

by-side with Haitian police offi-cers guarding the legislature were expected to bar the 11

senators elected in January

1993 in a poll which the US,

among others, believes to have

been stage-managed by the

There was considerable

interest outside the parliament

buildings yesterday as to

whether Gen Cédras, who as

Halti's commander-in-chief has

the constitutional right to

in Port-au-Prince

US efforts to achieve the first quorum of the Haitian legislature in more than a year important Haitian parliament." As well as the deputies and looked set to be rewarded as a dozen exiled parliamentarians were flown in for the ceremonial opening of parliament yes-

terday afternoon.
The special session was convened by elected President Jean-Bertrand Aristide primarily to pass a law granting amnesty to General Raoul Cedras and the army generals who seized power in a coup three years ago. The military leadership is expected to step down once the law is passed. The meeting yesterday was ceremo-nial and the business of drafting an amnesty law is due to

get under way today.

The deployment of US troops around the parliament buildings is a further illustration of the significance the Clinton administration is placing on the amnesty law, which would not only mark the end of military rule but could pave the way for the reconciliation of Aristide supporters and Cédras lovalists.

The conspicuous US presence has led to criticism in the Haitian press that the nation's democratic institutions are being violated. As a result, there will be no US army presence inside the chamber.

The delicacy of respecting Haitlan sovereignty while sending in servicemen to secure its legislature even Schrager, US embassy spokes-man, who said: "We need a quorum, no, they need a quo-

Mr Bernard Sanzaricq, president of the Senate. was understood to be preparing a draft of the amnesty law, although another draft that was due to It's a convocation of the very be debated inst year before its senators returning from the US and Canada yesterday morn-ing, US officials were hoping author, the then Justice Minister Guy Mallory, was assassinated, has found favour with a number of deputies and, unoffi-cially, with US embassy offi-

President Aristide, in convening parliament, has called on the assembly to debate not only the amnesty but also six other pieces of legislation, including the separation of

police and army powers. Continued looting of human ltarian foodstores elsewhere in Port-au-Prince was a furtber cause of concern to US officials yesterday. The embassy announced that the transport of USAid food had been tempo-rarily stopped, but did not give a date when the lines would be reopened.

US army officials would not promise non-governmental organisations army protection, but pledged that the "US military will not stand idly by while this looting goes

Mr Schrager confirmed that the surge in pillaging was a reflection of the breakdown of domestic policing. "Clearly we are seeing some police stepping back and letting the law and order situation evaporate." he said, "but I can't tell whether it's by design or happen-

By Richard Waters in New York

Production in three of General Motors' North American plants stopped yesterday as a parts shortage began to be felt fol-lowing a walk-out on Tuesday by 11,500 workers at a parts plant in Flint, Michigan.

The dispute threatens to stall most of GM's North American plants. It has focused attention on the company's hiring practices in the wake of soaring production volumes this year. The United Auto Workers

union says the company is forcing its members tn work increasing overtime to raise production, rather than hiring new workers.

As part of its effort to plug growing labour shortages in some plants, GM bas also offered incentives to encourage workers to move to plants

The company has cut its hourly workforce in North America by around 50,000, to 250,000, in the past three years in an effort to bring these operations back into profit.

Labour dispute may put hockey season on ice

Owners threaten to lock out players if new deal is not hammered out

Already deprived of the most exciting part of the baseball season, North American sports fans now face the prospect of hammered out in time for the no ice hockey as a result of scheduled opening of the seaanother labour dispute between owners and players, son on Saturday. Hopes were slim yesterday that the writes Bernard Simon in protracted and increasingly hostile negotiations would be Owners of the 26 US and concluded before the deadline.

Canadian teams which make As in the six-week-old baseball strike, the public is ventthe National Hockey League (NHL) have threatened ing its anger on both sides. to lock out the players if a new especially in Canada, where collective agreement is not hockey is the national sport

and Hockey Night is the longest-running programme on television. One Toronto newspaper columnist yesterday pinned the blame for the impasse on the "cowboy mentality" of the two American lawyers who represent the owners and the players' union. The issues in the hockey dis-

pute are similar to those which

brought the baseball season to

a premature end. In both cases they reflect the degree to which the entertainment element of sport has been overshadowed by business.

The NHL posted revenues of about C\$700m (US\$522.3m) in 1993, and expects a substantial increase in coming years thanks partly to a C\$155m fivewith Mr Rupert Murdoch's Fox however, that the owners are

television network. But the owners are demanding various concessions from the players to hold down spiralling salary bills, and to secure the future of financially strapped teams in relatively small markets

city of Winnipeg and Hartford, The players are concerned

such as the Canadian prairie

aries, The owners have already proposed a limit on first-year players' pay of about C\$275,000

With the exception of a few superstars, notably Wayne Gretzky of the Los Angeles Kings, hockey salaries are gen-erally well below those in baseball. But 75 players now earn more than C\$1m a year - led by Mr Gretzky's C\$8.4m - compared with just three players

The engines are quietly humming at 37,000 ft. above the Indian Ocean. And you wish you could sleep. Then you remember who you are flying with. Lufthansa Zzzzzz.





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business grow

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business grow 100%, and our

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Cason on a

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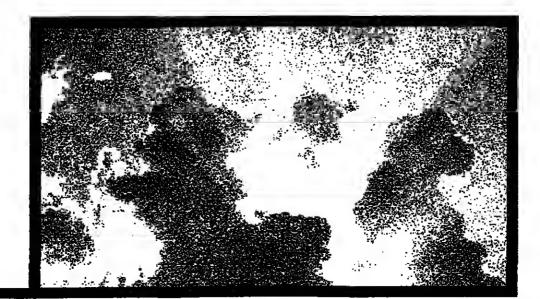
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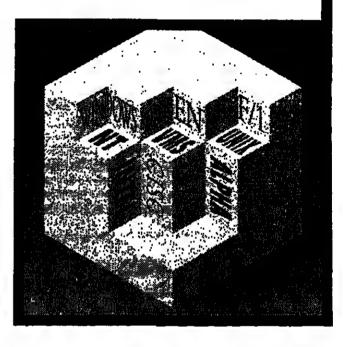
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NEWS: WORLD TRADE

Negotiators want agreement with Brussels revised upwards to reflect market changes

Japan to press EU over vehicle imports

By Michiyo Nakamoto in Tokyo

Japan will press for an increase in vehicle exports to the European Union this year due to stronger than expected growth in demand. The request will be made when trade negotiators meet for consultations

in Brussels today. During the two-day talks, Japanese trade negotiators are expected to request that an agreement to maintain exports of Japanese vehicles to the EU at 984,000 units be revised upwards to reflect market

"The market is expected to grow more than we anticipated in March. The basic policy is to

Japanese vehicle exports are likely to record a rise again in September, having seen a temporary decline in August, Reuter reports from Tokyo. The Japan Automobile Manufacturers' Association (Jama) said vehicle exports fell 8.8 per cent from a year earlier to 325,174 units in August. In July they edged up 0.3 per

cent from a year earlier to 405,578 grows," an official at the Ministry of Trade and Industry said. Under an agreement reached in 1991, Japan is committed to keeping its vehicle exports to the EU within an agreed level each year until the end of 1999, when the EU automobile market is to be fully liberalised.

The level of Japanese vehicle

age call; a call to Australia

from Thailand using Kallback

would be 23 per cent cheaper than a conventional call by

"It's an arbitrage situation between countries," said Mr Joel Eisenberg, Kallback's chief executive. "We have

found a new market develop-

ing among businesses in coun-

tries that have very high rates

Most of Kallback's customers

worldwide are individuals, but

companies account for more

than half its call volume. In

Thailand, where traffic conges-

tion in Bangkok keeps busi-

ness executives in their cars

for hours at a time, half Kall-

back's accounts are for mobile

The state-owned CAT shares

revenue with foreign tele-

calls it uses its monopoly

control of all international

direct dialling.

like Thailand."

telephones.

mined through consultation and depends on an agreed fore-cast for regional demand. The two sides have also agreed that if demand varies significantly from initial forecasts, the agreed level of exports could be

The Japanese authorities agreed in March to keep Japa-nese exports to the EU this

vehicles, the first year-on-year gain in 15 months. Last month's decline was partly due to higher exports of new Honda Accords to the US in August 1993, Jama

However, Missan reported that August exports marked the first year-on-year decline in three months, due to poor demand in Europe where domestic "August posted a short-lived decline. carmakers boosted their sales by Exports in and after September are likely providing incentives. Nissan's vehicle to mark a year-on-year increase again, exports fell 11.7 per cent from a year said Mr Hiroshi Suemasa, a senior analyst earlier to 45,364 units.

at Kankaku Research Institute.

year at 984,000 units on the exports increased accordingly. Vehicle registrations in the EU basis of a forecast for overall between January and July market growth of 2 per cent. That would have represented a have already risen 5.8 per cent nearly 18 per cent decline from to 7.5m units. the level of Japanese vehicle exports to the EU in 1993.

Increasing the level of Japanese vehicle exports to the EU However, Miti now expects the EU vehicle market to grow is likely to unsettle European vehicle producers. The Japa-5-6 per cent this year and nese share of the European

market is expected to top 15

per cent by 1998 from nearly 12 per cent in 1992, according to DRI, the UK-based analysts. But it is unlikely that Japa

nese vehicle exports to the EU will actually increase significantly even if the quota is raised, as the strength of the yen has eroded the price advantage of Japanese cars exported to the EU. Japanese vehicle manufacturers have boosted manufacturing capacity in Europe in recent years, with Japanese plants already accounting for more than a fifth of British car production. The overall result has been that in the first eight months

of this year, Japanese vehicle exports to the EU fell nearly 30 per cent to 561,156 units.

companies, given that the call-

less than one per cent of tha total international market.

up easily, however. The Tele-

phone Organisation of Thai-

land (TOT) - another body influenced by the armed forces

which has the monopoly of all

domestic fixed-line traffic in

Thailand - is attempting to

enforce a concession agree-

ment giving a company called Lines Technology the exclusive right to provide domestic

Critics of the TOT have ridi-

culed the deal, pointing out

that several companies, includ-ing banks and business infor-

mation companies, are already

providing data services to their

customers via TOT lines and

The CAT, as it tries to stifle

competitors in its international

fiefdom, has vowed to use unspecified "protection tech-niques" against the callback

providers, although it has yet

on-line data services

Thai monopolies do not give

WORLD TRADE NEWS DIGEST

US audio-visual industry seeks to woo Europe

Mr Jack Valenti, chairman of the US Motion Picture Association, yesterday called on the European film industry to co-operate with its US counterpart and to let viewers "make their own decisions about what they want to see

In a speech to be delivered at the American Chamber of Commerce in Paris, Mr Valenti said the US wants to see "a dynamically successful French audio-visual industry". The stronger the French industry became, the larger the French audience would be said. The US would get a share of the larger audiences. Co-operative efforts between European producers and the US film industry were already under way, he said. Referring to French efforts to limit US television programming in the EU, he said that new technologies "will defy restrictive regulation. "Barriers, protectionism, hedge rows are out of place in a world of creative competition and expanding visual choice. He who builds walls to keep others from coming in soon discovers that he has difficulty getting out," he added. Nancy Dunne, Washington

Caribbean in EU mission

Four Caribbean prime ministers today embark on a mission to Europe to seek clarification on trade relations between the European Union and members of the African, Caribbean and Pacific (ACP) group. The mission will meet representatives of the French, German, Greek and British governments and will express concern about the future of its European benana market. It will also press the case of Caribbean rum producers who have been arguing for an increase in their EU rum quota.

Bouygues wins Nigeria deal

Shell Nigeria has awarded a \$158m turnkey contract to Bouy-gues Offshore as part of a project to rebuild its Forcados oil terminal near Warri. Forcados was built nearly 25 years ago and the terminal and surrounding infrastructure is due to be modernised at an estimated cost of \$400m. The work will be carried out in phases to minimise disruption to production and export at the terminal, which handles just under half of Shell Nigeria's oil output.

Shell is the operator and 30 per cent equity partner in a joint venture in which the Nigerian National Petroleum Corpora tion (NNPC) holds 55 per cent, Elf Aquitaine 10 per cent and Agip 5 per cent. Paul Adams, Lagos

Ikarus, the state-owned Hungarian bus manufacturer, has signed a contract to supply 400 buses to Indonesia, its biggest order from the country so far. The buses, to be used for city bus services, are due to be delivered by August of next year. The deal has been under discussion for two years, Ikarus, one of Hungary's largest companies, was badly hit by the collapse of Comecon, the former East bloc trading organisation, but in the past four years has successfully penetrated new markets in the Far East and western Europe. Virginia Marsh, Budapest ■ Malaysia's Golden Hope Plantations is negotiating to set up its second palm oil refinery in China. Golden Hope's first refinery in Jiangyin City will be operating by August 1995. Reuter, Kuala Lumpur

■ Glaxo, Europe's biggest drug company, has opened an office in Rangoon to help Burmese hospitals conduct research projects. Glaxo has branches in 70 countries and is marketing its products in 150 countries with total sales amounting to \$5.6bn in 1993-94. Chit Tun, Rangoon

Callback services help reverse Asia charges Victor Mallet on phone services that undercut monopolies

nly the most profligate managers could fail to be tempted: businesses in thrall to national telecommunications monopolies in Asia are being offered savings of up to 50 per cent on interna-UK via Kallhack in the US tional telephone calls by US would make savings of 38 per 'callback" companies. cent over the rate charged by Such companies have the Communications Authority of Thailand (CAT) on an aver-

already made an impact in Latin America and Europe. In sonth-east Asia, the growing popularity of money-saving callback services has been highlighted in recent weeks by protests from the state-controlled monopolies in Singapore and Thailand.

Aimed at first at US expatriates and travellers seeking to avoid exorbitant international telephone rates and hotel surcharges outside the US, the callback services are finding new customers in stockbroking firms and other businesses with high volumes of international voice and data calls.

Customers typically save money by dialling a designated number in the US and hanging up after one ring. A computer from the callback company immediately rings back - a call from the US to Thailand is much cheaper than from Thailand to the US - and allows the customer to dial on anywhere in the US or abroad.

Seattle-based Kallback, one

of the leading US "re-origina-US telephone company Telegroup has launched a toll-free callback service for European subscribers which it says will tion" services, says that a cal-ler from Thailand dialling the more than halve weekday phone calls inside Europe, Reuter

> in the US and Europe to take advantage of lower prices.
>
> Telegroup says it has 30,000 subscribers worldwide, of wirch half are in Europe. To make a call the subscriber dials the Global Access network in New York, using a touchtone phone, enters a code corresponding to his telephone number, and then hangs up. The subscriber is called back in a few seconds, receives a dial tone and then makes the call.

> reports from Brussels. The service, called Global Access, allows

subscribers in Europe to route calls through telephone switches

traffic to add hefty premiums. Officials from the CAT, an organisation with close links to the Thai air force, recently denounced callback services and said they undermined Thailand's national interest.

Similar protests were made in Singapore; international charges there are more moderate than Thailand's, but the partly privatised Singapore Telecom (ST) has a monopoly until the year 2007. "It became a major issue," said Mr Eisenberg. "They said it [callback servicel was illegal. Now Singapore Telecom has backed

The Singapore government decided that ST should respond communications networks on calls both out of and into Thailand, but on outgoing to the challenge by offering better service at competitive prices, although the callback

companies, which already have about 40,000 users on the island, are not allowed to advertise in the Singapore media because they are not licensed to operate there.

In Thailand the CAT has accused the callback companies of breaking the law, but no-one can find any law they are violating and the compa-nies have been advertising their services in the press. "Thailand will probably have

to do something similar to Singapore," said a Bangkok stockbroker whose company recently subscribed to Kallback, "which is to admit that it's part of the service. The CAT are more concerned about their bonuses at the year-end rather than the consumer." There have been some cases



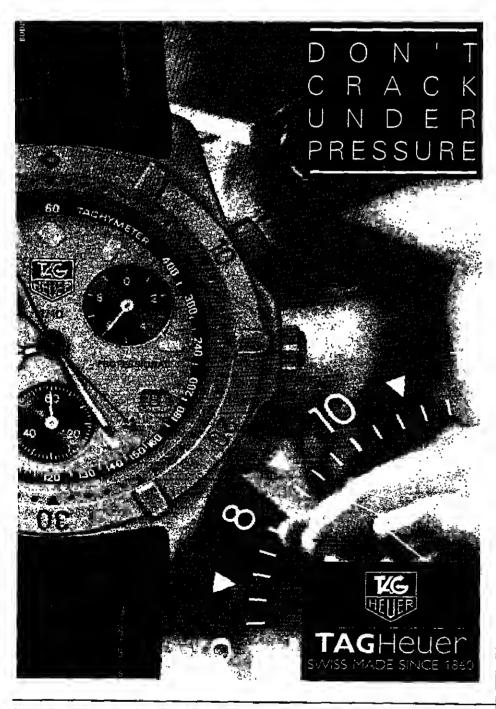
"Kaliback-supplied percentages based on a "typical" call with miss effective in March 1984

around the world of national telecommunications monopolies harassing callback companies by dialing their numbers repeatedly and jamming their systems, but Mr Eisenberg said this had not happened to Kall-

bly not worthwhile for monopolies to alienate telephone nsers by attacking callback

He added that it was proba-







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Where hunger or poverty is the underlying case of deforestation, we can provide fruit trees.

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Forest, Uganda, where indigenous hardwoods take two bundred years to mature. The Markhamia lotes trees planted by WWF and local villages can be harvested within five or six years of planting. Where trees are chopped down to be used for construction. 26 in Panama and Pakistan, we supply

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demonstrates how these techniques can be used to grow a family's food on a small four hectare plot. (Instead of clearing the usual ten bectares of forest.) WWF fieldworkers are now involved in over 100

propical forest projects in 45 countries around the world. WWF is calling for the rate of deforestation in the propies to be halved by 1995, and for there to be no

net deforestation by the end of the century Write to the Membership Officer at the address below to find out how you can belo us ensure that this generation does not continue to steal nature's

capital from the next. It could be with a donation, or, appropriately enough, a legacy.



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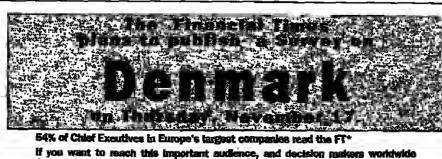
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New Name Rover aims for luxury

By Kevin Done

Land Rover, the leading European maker of four wheeldrive sports/utility vehicles, is moving into new territory with the launch today of a new generation Range Rover. Developed in a four-year.

£300m investment programme as a luxury flagship for the Rover group, the new Range Rover is aimed at moving the company into direct competition with established luxury car producers such as Merced es-Banz, Jaguar, BMW and Lexus (Toyota).

"The major hustness opportunity is to appeal to a much wider group of traditional lux-ury saloon owners," said Mr John Towers, Rover group

chief executive.

The only vehicle in the world to have been exhibited at the Louvre in Paris as a work of art, the Range Rover, launched in 1970, is already a classic in the world motor industry - an executive/luxury car with pol-ished wood trim but with the capability of crossing fields, streams, deserts and jungles.

The off-road capability is being maintained, but Land Rover has spent heavily to develop the new lange Rover's on-road credentias as a luxury

Priced between £31,950 and \$43,950 and with top speed of 125mph (200kph, the Range Rover is being aunched as a head-on competior for buyers of luxury cars sich as the new Jaguar XJ serie unveiled yes-terday, the BMV 7 Series, the Mercedes-Benz E and S-Class and the Lexus S400. The new lines only one ele-

ment in a stratgy being developed by Rover a subsidiary of BMW of Germiny since early this year, which could more than double and Rover production by the late 1990s. Production expected to

reach a recor 85,000 this year, is forecast to xceed 100,000 for the first time in 1995, as sales are boosted by the launch of the new Rage Rover and by moves into ew markets. Land Rover is also develop-

ing a range of smaller Land Rover vehices as part of the group's £1./bn, five-year new model invelment programme. . The poorer half-of-the popu-

Pergau dam companies censured

is expected to win overwhelm-

ing endorsement from the signal workers over the next two days. But members of the signal

still threatening to bring Lon-

don Underground to a halt for

The package accepted by the

with Railtrack, the state-owned

company that operates the net-

work's infrastructure, is being

put to a telephone poll of union

members today and tomorrow

The main points of the deal

An average increase in total

men of 8 per cent this year,

increase in basic rates;

ment averaging £480.

dated to April.

• A 20 per cent average

A one-off lump sum pay-

ductivity improvements. They

do not include any payments

for past efficiencies - the

demand made by the union

transport union's general sec-

retary, said yesterday the deal

was an "excellent" one for the

signal workers as well as being

a "sound investment for Rail-

track and the railway industry generally. It is a victory for the

that led to the dispute. Mr Jimmy Knapp, the RMT

24 hours tomorrow.

The government yesterday censured three of Britain's leading industrial companies for their role in helping to huild Malaysia's Pergau dam, while playing down the part played by Mrs Margaret Thatcher (now Baroness Thatcher), the former UK prime minister, in negotiations over the project.

In a formal response to a recent House of Commons report on Britain's offer of £234m to help build the dam, it criticised the main companies involved - Balfour Beatty, Trafalgar House and GEC - for providing Mrs Thatcher with incomplete information over the financ-

The government did not question the judgment made earlier this year by the Commons Foreign Affairs Committee that Lord Younger, the former defence secretary, had acted in a "reprehensible" way by signing a protocol on arms sales that committed the UK to offer civil aid to Malaysia.

Responding to the committee's judgment that Lord Younger should first have consulted the Foreign Office. which is responsible for the administration of overseas aid, the government merely stated that it "acknowledges the importance of widespread consultation both within Whitehall and with over-

But the six-page govarnment

response rejects claims made by the Foreign Affairs Committee that a series of ministerial replies on the funding of the dam - including one given by Mrs Thatcher - were "less open and less informative" than the House of Commons had a right to expect.

Instead in 17 written responses, the government directs clear criticism at the consortium of companies which had advised Mrs Thatcher on how much it would cost them to build the dam before negotiations with the Malaysian government in March 1989. In its report on the affair, the commit-

tee noted that the consortium led by Balfour Beatty had "put pressure" on Mrs Thatcher to make a firm offer to

Rail settlement reached

fund the Pergau project at a cost of £316m. Shortly after the deal was struck, the cost escalated to £397m. This increased the cover required under Britain's Aid and Trade Provision.

The government stated yesterday: "It would have been beinful if the consor tium had been forthcoming about the risks of a significant price increase." One of the issues at the heart of the Pergan affair is the allegation hy senior UK officials that the project was an "abuse" of the UK aid programme which would spoil the Malaysian environment. The government stated yesterday that the aid would produce muchneeded peak-time power in an environ-mentally friendly and sustainable way."

Britain in brief



Ministers set to review energy trust

Ministers will shortly he considering options for rescuing the troubled Energy Savings Trust, a central component of the government's

energy-efficiency policy.

A report by officials from the Treasury, the Department of Trade and Industry, and the Department of the Eoviron ment on a review of the trust's long-term funding is understood to be near comple-

The trust's £700m badget np to the year 2000 was supposed to be funded by levies on gas and electricity consumers. But this year the gas industry reg-nlator stymied the scheme hy refusing to authorise a levy on the grounds that it was a form of taxation.

Rescue for new private hospital

A private hospital set up to cater for patients from overseas has been saved from the hrink of receivership by its bankers and hy the Scottish Office only three months after

One lender to Health Care International, a £180m hospital at Clydebank near Glasgow, is understood to have become alarmed at the small numbers of patients being treated in the hospital. The consortium of banks agreed two weeks ago to advance more money and the Scottish Office speeded up payment of a grant to ensure the company's survival.

HCI is now attempting to raise a further £15m in equity hy October 14 in order to reassure the banks.

The 260-bed hospital offers acute treatment to patients who are unable easily to obtain treatment in their home countries and who cannot afford to go to the US for treatment. Some £29m in public funding has been paid or committed to the project.

Scrabble at 50 as Saga cuts age limit

Yon no longer have to be 60 to play scrabble with pensioners in Torquay, roll your woods along the bowling greens of Bournemouth or to go ballroom danciog on the crnise

ship Canberra. Saga, the travel group which sells holidays to pensiooers, is breaking with a 45-year tradition and lowering the minimum oge of its customers from

Mr Roger De Haan, Saga's chairman and the son of its fnunder, said yesterday be had originally opposed the change hnt had accepted that his group should cater to the growing number of pensioners

The change will lead to a large increase in the size of Saga's market. There are 12m UK residents over 60 and a further 6m between the ages of

Mr De Haan said: "I reckon there are going to be 6m deeply depressed people contemplating the thought that they qualify for Saga holl-days."

Discount airline sales may get rules leeway

The Civil Aviation Authority is considering scaling down plans to regulate airline ticket bucket shops", which sell airline tickets at a discount, in spite of support for tougher legislation from consumer bodies, trading standards officers and tour operators.

Satellite group aims up-market

Entelsat, the European satellite organisation, is planning to target the UK market in a campaign designed to take satellite television more npmarket,

Until now the British market has been dominated by the channels on the Astra satellite system, particularly the sub-scription channels of British Sky Broadcasting. Eutelsat hopes to use new

English language channels on its Hot Bird satellite, due to be launched at the end of November, to reach UK view-

Inequality fuelled by tax, study shows

The distribution of wealth across the UK is extremely unequal, with most households having no substantial savings other than their houses and pensions, a naw economic

In a further factor that may exacerbate inequalities, the savings of the poor are apt to be taxed more than those of the rich, the research suggests. The study, by the Institute for Fiscal Studies in London for the Joseph Rowntree foun-

dation, says the tax discrepancy is due to different savings methods used by rich and poor. According to the survey, the average amount of wealth held hy households is about £3,000, excluding pensions and housing. That overall figure is skewed by a small number of very wealthy individuals about half the households have savings of less than £450, the report notes.

Poorer households tend to attract higher taxation, primarily because their savings are concentrated in interest-bearing accounts at hanks and hulding societies, which are taxed more heavily than other forms of wealth.

lation, hold some 60 per cent of their assets in interest bearing accounts, much of the rest held in national savings accounts. Among honseholds with between £50 and £450 worth of savings, 80 per cent of that is in banks or building societies.

The richest part of the population holds much of its wealth in specialised financial assets given generous tax treatment. Shares, PEPs and other investments such as unit trusts account for about half the savings of the richest top 5 per cent of the population.

The report, which drew on a five-year research programme by the National Opinion Poll. notes that this profile has shifted in recent years, with a fall in the proportion holding interest-bearing accounts.

The IFC concludes; "Stocks of housing and pension wealth are the most important - often only - forms of wealth for most honseholds. Only the minority of households have enough liquid financial wealth to provide for unexpected hardship, such as unemployment. before they actually retire." The Distribution of Wealth in the UK; by James Banks, Andrew Dilnot, and Hamish Low. IFS, 7 Ridgemount Street, London WCIE TAE, £6.



Robert Horton: "An agreement to modernise working practices"

steadfastness of the signal Railtrack's chairman, Mr

to modernise the working practices in the railway industry. The essentials of this package Robert Horton, said: "At last have been on offer the RMT we have reached an agreement executive since June."

PEOPLE

Glaxo replaces Sir Paul with Sir Colin career largely in construction

Sir Colin Corness, chairman of building froup Redland and of the Natiowide Building Society, is a add to his list of chairmaships that of Glaxo, the phamaceutical company. Sir Clin, 63 next month,

replacesSir Paul Girolami who retires it the agm on November 18/Tha changeover will take plice on May 17 next year when Sir Colin retires from Redland after 30 years there. Bori into a wealthy Scots Sir Colin (right) has stellar commercial

among other things, directorships of the Bank of England and of S.G. Warhurg, the mer-He trained as a harrister

hefore joining construction company Taylor Woodrow as a director at the age of 30. Within three years he switched to building materials company Redland, moving through the post of managing director of Redland Tiles in 1967, becom-

and finance. He is now firmly

part of the establishment with

ing chairman and chief executive of the whola company from 1977. He huilt a reputation for innovative energetic management and an ability to pick able associates. His appointment ends a long search by Glaxo for a non-executive chairman to work along-

side deputy chairman and chief executive Sir Richard Sykes. Sir Colin's salary, of around £200,000, is a fraction of the £1.4m package Sir Paul was paid in his last year as execu-



Finance moves



Meanwhile, at Redland, Sir Colin is to be replaced as non-executive chairman by Rudolph Agnew (left), chairman and chief executive of Consolidated Gold Fields between 1983 and 1989. Agnew has plenty of experience of construction markets and was previously chief executive of ARC which

like Redland, is a large British supplier of aggregates. He is currently chairman of Lasmo and Stena Sealink UK.

A welcome for Coats Walls

Wellcome has found a finance director almost four months after the last man in the job, John Precious, said he was leaving "to pursue other opportunities".
The new incumbent is Rus-

sell Walls from Coats Viyella. Walls has been group finance director at Coats for four years during which time he helped transform the reputation of the company in the City by adding an unprecedented level of opennest to the company's accounts

Earlier this summer he and Coats swept the board at the first Investor Relations awards for best results presentations.

Walls leaves the textiles industry after almost 30 years. After graduating from Glasgow University in pure science, he joined Coats Paton in 1966 at the age of 22. He held a variety of posts in the UK and overseas before joining the main

board in 1990. He joins Wellcome at a tricky time; chairman and chief executive John Rohb has come under pressure for holding both posts, and the company's second biggest product. Aids drug Retrovir, has had mixed fortunes in long-term After a year-long search, Thames Water has appointed a managing director for its international contracting and consulting arm.

Tony Eckford, a qualified engineer and deputy chairman and chief operating officer of the process and energy division of construction group Amec, will take over from next month.

Eckford will be expected to continue the process begun by Thames's chief executive, Mike Hoffman, of hringing together the company's nonregulated international husies into one division. Thames, like other water

companies, has been pursuing international contracts to operate waste and water plants as a way of building non-regulated income. The company is particularly keen to strengthen its presence in the Far East, South America and, eventually, eastern Europe. There, the pace of economic activity is creating increased demand for water

and waste services. Thames found the search for an ioternational managing director difficult. It has been forced to pay a generous remuneration package, including performance-related honuses and share options. Eckford will be on a rolling contract of at least two years.



Hilary Wild, 45, who has been with Kleinwort Benson Investment Management since 1990, has been appointed managing director of Kleinwort Benson Charities, the firm's fund management division, where she will be responsible for managing funds in excess of £500m. Wild's career is evidence

that being a chartered accountant does not necessarily lead to a dull life; she spent time in Greece - between 1981-84, as country representative for Marine Midland bank – and New York, where from 1986-1990 she was chief of finance at the United Nations Children's Fund.

At UNICEF, which she found a very dynamic entity, Wild was primarily involved in overseeing the \$350m short-term investments of the organisation, as well as keeping a close eye on cash-flows of the 100-plus field offices. Joining Kleinwort Benson, she first was involved again in

shipping finance, before tak-ing over as sales director of leasing and asset finance. She became a director of Kleinwort Benson Ltd in 1992. In her new role she will be looking after the funds of more than 80 medical, educa-

tional, religious and other

charities. In July this year

the Chariguard UK Equity Fixed Interest Fund, the first an index-linked fund, the second a more conventional fund investing in government secu-

Scott Delman, formerly head

of emerging markets corporate finance at Bank of America, has been appointed a director of FOREIGN & COLONIAL EMERGING MARKETS. Robert Kyprianou formerly director of portfolio management at Salomon Brothers Asset Management in London, has been appointed head and chief investment officer of KIDDER PEABODY ■ Carol Goodwin, formerly md

of Canada Trust Bank in the Netherlands, has been appointed md of GUINNESS MAHON GUERNSEY and Michael Palin, formerly south coast regional director of Hill Samuel, director of husiness ■ Barry Martin has been

promoted to general manager for Greece for ROYAL BANK OF SCOTLAND, based in ■ Bill Dootson has been appointed md of HENRY COOKE, LUMSDEN's private

client division in Manches he and Martin Robinson, md of Henry Cooke corporate finance, join the group board. ■ Greg Cremen has been appointed a director of GARTMORE Capital Management, and Sally Tennant, head of the European equities desk, has also been

appointed md. Diane Wilde has

been appointed a director of

Gartmore Scotland. ■ Patricia Maxwell-Arnot, formerly a director of Lazard Brothers and head of its European desk, has been appointed director of Europe equity investment at CREDIT

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NEWS: THE EUROPEAN PENSIONS RULING

All six cases involve issues of sex equality in

pension schemes arising from the European Court's May 1990 landmark decision in Barber v

Guardian Royal Exchange - that Community rules outlawing pay discrimination between men and women applied to benefits under private occupational pension schemes and that retire-

ment ages should be equalised. In the Dutch Ten

Oever case last year, the court ruled the Barber

udgment did not apply retrospectively. The out-

standing issues were settled by the court yester-

rustees of the pension schemes of Coloroll, the

UK wallpaper and home furnishings group which collapsed in 1990, have been unable to wind up

the schemes because of uncertainty as a result

of Barber. The trustees asked the European

Q: Are pension scheme trustees bound by the

equal transment principles set out in Barber, or just employers? At Trustees are bound to apply the equal treat-

O: Where pensions are received as a lump sum

funded by contributions from employer and

worker and are used to buy an annuity, is it OK

for employers to make equal contributions for

men and women or must the employer ensure

equal benefits? Should trustees have regard to actuariel factors showing women live longer than

men when calculating contributions and benefits?

A: Equal treatment rules are satisfied provided

employers pay equal contributions. The use of

actuarial factors varying according to sex is not

covered by the European equal treatment rules.

equalise down the benefits of man and women?

Court ends wait after four years

By Norma Cohen, rivestments Correspondent

Employers throughout Europe have been awaiting the definitive word on sex equality in pensions for four years.

In May 1990 the European Court of Justice ruled in the landmark Barber v Guardian Royal Exchange case that pensions are a form of deferred

Article 119 of the Treaty of Rome, dealing with sex discrimination by employers, says men may not be paid more than women, or vice versa. But women's pension entitlements have traditionally been higher than men's because they have usually been allowed to retire earlier - although women are typically paid less than men. But the court gave no guid-

ance on how employers were to carry out its judgments, and a series of cases came before it. European employers, particularly those in northern Europe with big occupational pension schemes, have waited

for a series of decisions which could cost them billions. Yesterday the court put to rest most of the ontstanding issues and, for the most part, provided answers likely to

limit the cost to employers of equalising pension benefits. But the court made one ruling that surprised pensions consultants, opening a loophole allowing elements of inequality to continue in the

calculation of benefits. In the Coloroll case the court ruled that employers could continue to rely on "sex-based actuarial rates" for the calculation of transfer values and commutation values for those leaving the scheme. These take into account an actuarial assumption that women ontlive men and will give rise

By Ronald van de Krol

Employers reacted anxiously

to yesterday's ruling by the

European Court of Justice that

female part-timers could claim

pensions retrospectively if they

The costs are substantial.

said Mr Rohhle Gilbert,

employment affairs director of

the Confederation of British

Industry.

The CBI highlighted a gov-

ernment actuary's report that backdated pension demands by

part-timers could alone cost

companies and their pension

funds about £7bn. Beyond that

there is the administrative expense of tracing employees

who might have left a com-

pany nearly 20 years ago.

There is a practical difficulty

of tracking people down," said

the numbers represent a theo-

retical maximum. Mr Paul

Moloney, pensions officer of

Analysts have stressed that

in Amsterdam and

Nicholas Denton

pany schemes.

Mr Gilbert.

Mr Martin Miles, pensions consultant at the actuarial firm of Bacon and Woodrow, said: "To some extent, this would seem to make a mockery out of equalisation."

But commentators felt that in other respects women had not benefited from yesterday's

The court ruled that parttime employees can claim retrospective benefits in respect of periods of employment dating back to 1976. That judgment has produced

sion schemes is frequently sex

discrimination and should

have ended the practice long

The European Court of Justice yesterday gave its eagerly awaited rulings on six cases which are expected to form a definitive framework under which employers and scheme trustees can provide equal pensions for men and women. FT Reporters analyse the decisions and reactions to them

en. He said: "These judg-

cent and 90 per cent of pension One element of the ruling has significant implications for employers, particularly in the

The court ruled that employers will have to admit parttime workers to pension schemes if barring them constitutes an indirect form of discrimination. The court said employers had known since its judgment in 1976 that barring part-time workers from pen-

Part-time workers across Europe

them to bear higher costs.

But pensions lawyers and actuaries say the cost of the ruling may not be nearly as much as might appear. Mr Cunliffe said: These cases will have to be tested before the courts in each member coun-

119 of the Treaty of Rome "is contravened only if the exclusion affects a much greater number of women than men. unless the employer shows that it may be explained by the objectively justified factors unrelated to any discrimination on grounds of sex".

The judgment says article

Thus, part-time workers will have to ask a court to debermine whether the employer

THE SIX CASES

Do they have to knowve benefits for men accruing between May 1990 and whitever date the ompany took action to implement equal pension rights?

A: Yes and Yes. Q: in men-only schemes, can men claim improved benefits they might have expected as a result of the Berber judgment if there had been women members?

SMITH Y AVDEL SYSTEMS.

A test case brought by five women, backed by the Equal Opportunities Commission, who worked for Avdel Systems an engineering company based in Welwyn Garden City, Herts. They were among 78 who brought claims before the Industrial tribunal completeing they were finan-cially worse off by the raising in July 1991 of their reframent age from 60 to 65 following the

O: The court was asked whether it was legitimate for employers to worsen pension provision for women in equalising pensions?

A: For periods of service after implementation of equal pension rights, employers may raise the retirement age of women to that of men worsensoftened by ancillary measures designed to minimise the adverse consequences. For periods between May 1990 and implementation of equal pension rights, advantages enjoyed by women as a result of lower retirement age may not be

VROEGE V NCIV A Dutch case about rights of access to pension Q: Do the European equal treatment rules apply

employers

to access to penelon schemes and, if so, is the

At Yes. The right is not time limited by the Barber Judgment and stretches back to Apri

FISSCHER V VOCAHUIS HENGELO Another Dutch case on a similar point.

O: Do the equal pay rules apply to access to a pension, scheme which excluded married If a worker can join a scheme retroactively must she pay back-contributions if the scheme is a contributory scheme?

A: Yes. That right is not limited in time to the date of the Barber Judgment. If a worker wishes to join a scheme retroactively she must pay contributions covering that period.

VAN DEN AKKER v SHELL

In 1985 Shell equalised retirement ages at 65 but said it would protect pension rights of existing women scheme members by allowing them to keep e penelonable age of 60.

Or After the date of the Barber judgment was I legal for women to continue to enjoy better benefits then men; and can compenies ring fence and protect the rights of existing members of a pension scheme in this way? A: No. For periods between the Berber judgme

ition, conditions for male workers would have to be improved.

Q is the Dutch civil service occupational pension

acheme covered by the equal treatment rules? A: Yes, it is not permissible for such a scheme to discriminate against married men.

£2bn. He added: "However, force employers to include that is concentrated among a them in a scheme relatively small number of

Pensions consultants pointed ont that employers in other European Community states could face a significant bill. In the Netherlands, for instance, just over than 30 per cent of the workforce is part time and much of thet is female. Mr Bob Bunicich, a director

at actuarial consultants William M. Mercer Riedmulder in Amsterdam, said about half of Dutch pension schemes did not require worker contributions and most of these schemes excluded part-timers. He said: "The Dutch pension

funds feel that if the female workers have to pay for the retrospective benefits they will not claim them."

The estimate of the cost to employers of part-time workers in non-contributory schemes is

Analysts • beg time to digest judgment

By Nicholas Denton, John Ridding and Lionel Barber

An 84-page court judgment takes a good while to come through the fax machine, let alone to digest. Many companies, trade unlons, pension funds and associations therefore reserved comment yester-day. "We have to study the document carefully," was a typical remark.

The Europeao Commission was a prime example. It noted that several provisions of a July 1986 directive providing for equal treatment for men and womeo in occupational social security schemes were now inoperable. As a result, the commission would propose certain charges.

But beyond that Brussels declined to comment. The commission starement resorted to the time-honoured formula: officials would have to study the judgment in detail. A fuller response is only planned for

The private sector, even in the countries most affected by the court's ruling, was no more prepared. The benefits officer of one leading UK retailer admitted: "I haven't even heard of it." The London stockmarket was largely oblivious to the event. One retail analyst at an international investment bank describel the whole subject as "ratherarcane". He said it was only yesterday morning that any of the firm's equity salesmen had questioned him on the issue. I guess I ought to bone up a bt." be said.

That was is the UK, the European country with the most developed - and exposed private pensons industry. Some other European countries responded to the European Court judgment with what amounted o indifference. The dominant entiment was that the change in the law was "nothing to do wth us".

The BDA federal employers association in Grmany said the ruling would have less impact in German than in the UK, but were relutant to comment in more detail.

The French government and employers said the ruling would have little implication for their pension schemes, mainly because mot pensions tem. The Ministry of Health and Social Affairs said that under existing pensins legislation there was no dscrimination between parttime and full-time employees, nor between male an female retirement conditions

"I do not see that hese rulings will affect our existing system; it is not eally a French issue," said a official at the Patronat employers' federation. He said, however, that reforms of the state system aimed at enabling companies to create private pension schemes would have to take account of the rulings.

The French government plans to reform the existing system to ease the burden on the current pay-as-you-go state scheme. But the reform has been delayed, partly because of political sensitivity.

The legal change in pensions may not be a French issue, nor

a German one, nor one for most continental European countries. Still, few could compete in ignorance or indifference with one UK retail analyst. European Court of Justice? Pensions ruling? He asked: "What ruling?"

rulings. Mr John Cunliffe, part- howls of outrage from ner at solicitors McKenna and Co and lead lawyer for one of the cases, said the general effect of tha sex equality rulings had been detrimental to ments have had the effect of reducing benefits for that portion of the population which is

the lowest paid anyway."
In the UK between 80 per payments are made to men.

UK, Ireland and Germany.

employer groups. They say that their provision of pension schemes is voluntary and that there is no point in forcing

has had an "objective justification" for barring them from schemes. In the 1976 case on which the court based its initial decision the employer argued - and the court accepted - that part-timers were barred from the scheme

> Mr Cunliffe said: "I think it will be very different as a practical matter to convince UK courts of that." However, the sence of large numbers of full-time women in the pension scheme or large numbers of men among the part-timers would certainly aid an employ-

hiring them.

Mr Cunliffe said it appeared unlikely that part-timers would take up the option to participate in a contributory pension scheme, even if they were

because they had less commit-

ment to the company and the

employer wished to discourage

offered it. He said: "Most parttimers are not going to want to join their pension scheme because their pay is so low in the first place."

Mr Roger Key, partner at consulting actuaries R. Watson and Co, said the bill for retrospective benefits for parttimers could be as high as £10bn in the UK.

As a practical matter, however, most of that liability occurs in contributory schemes and the court yesterday ruled that any employee wishing to claim retrospective benefits would have to pay retrospec-tive contributions. Mr Key said part-time workers were unlikely to have the sums necessary to huy retrospective

Without the contributory schemes, Mr Key estimates UK employers' liability for retrospective henefits at £1bn to

trated in banking, financial services and retailing. Many big UK supermarket chains have started admitting part-

About 20 per cent of the UK

workforce is part-time, concentimers since the key sex equality ruling in May 1990 - Marks and Spencer has done so since 1975 - but employers in those sectors could still be hit with a significant bill. Mr Key said employers

might be able to argue objective justification in barring part-timers because of administrative costs. Part timers, he noted, had rapid job turnover and frequent changes in the numbers of hours worked each week. The costs of administering pensions could be so great it would be unreasonable to

Employers fear backdated costs of up to £7bn group, said its scheme was open to part-time employees but only to those working 16 hours or more a week. "That is not fixed," said Mr Peter

ally to ease that." tory scheme and therefore could expect that employees would be cautious about making the retrospective contributions that would entitle them to retrospective pension pay-

Styles, group henefits man-

We are looking gradu-

A manager at one Dutch company in the catering business said: "It's not good for husiness if we're confronted with surprises dating back from tha 1970s. The ruling would effectively be rewriting the pay-and-conditions agreements we signed 20 years ago."

Most UK retailers played down the impact the European Court's verdicts would have, at least on their pension funds, if not on their competitors. Tesco, the food retailing chain. said its non-contributory pension scheme had been open to

all part-timers for several

Marks and Spencer said the decision would have no impact on its provision of pensions for part-timers. M&S opened its ame to part-timers in 1975 while the court ruling only addresses the period after 1976.
"I could see that for other com-

ager. "It does not matter for us. We are lucky in that respect because we grasped the nettle many years ago." Vender, the leading Dutch

non-food retailer, said it expected to feel only limited effects from the ruling, in spite of the workers in its workforce. Until the Barber case in 1990, part-time employees who worked less than 840 hours a year were excluded from the company's pension fund. "All our part-timers are now in the pension fund and have been since 1990," the company said.
"We don't expect any great interest among people who worked just a few hours a week in the past to pay the premiums that would allow them to draw a pension."

Trade unions such as the GMB and MSF welcomed the ruling on part-time workers. We have always said that part-timers have a right to join a pension scheme and it makes sense that it is backdated. said Mr Moloney of the GMB. But employees' organisations

criticised the decision of the European Conrt that equalisation of pensions could in some circumstances involve the worsening of terms for women. "When people speak of a £7bn cost to employers on the issue of part-time workers they fail to realise that companies are going to save many times that on the second ruling," said Mr Moloney.

the GMB general union, went further and yesterday described the £7bn figure as "nonsense". He added: "If employers had been prudent over the last few years and set lands, with one of the highest aside some of the pensions surpluses they reaped then there

would not have been any Anxiety in business remains nevertheless. Ms Hilary Langley of Watson consulting actu-



aries said: "People are very concerned by the judgment. It will be a nasty knock for employee pension schemes. The strongest reaction to the European Court's move came from the UK but the Nether-

rates of part-time working in Europe, was also affected. The Netherlands' VB association of corporate pension funds said the change could cost Dutch pension funds up to Fl1.2bn (£436m). At least

as many as 165,000, may have been excluded from their companies' pension schemes in the Netherlands hecause they worked part time.

The Federation of Netherlands industry noted reports that the statute of limitations of each individual country would apply. In the Netherlands, employees have five years to claim back pay from an employer. With the Euro-pean Court equating pensions

to the resolution of the court

with pay, the same five-year limitation might apply to pension rights, reducing the bill to industry.
Business sectors responded

cases with varying degrees of anxiety. "The burden will not fall evenly," said Mr Gilbert of the CBl. "The main burden will fall on those companies with relatively high numbers of part-timers." Retailing and financial services would be hardest hit.

"It's not very good news," said Mr Nick Bubh, retail sector analyst at US investment bank Morgan Stanley. "If it became law it would have a very significant impact on food and food retailing."

Part-time workers make up 40 per cent of staff costs in non-food retailing. Mr Buhh thought a retailer such as W.H. Smith, with a large pensions surplus, could afford to finance back pensions better than some of its competitors.

nies it might make for financial difficulties," said Mr John

The Financial Times plans to publish a Survey on Greater Atama on Tuesday, November 1

Atlanta's claim to be the capital of the booming Southeast of the US is likely to be confirmed when it hosts the 1996 Olympic Games. This survey will cover the city's preparations for the Olympics, including the upgrading of the City's infrastructure. It will also examine its role as an international business centre in light of the growing importance of the Southeast region of the US.

• The FT reaches more senior European decision-makers responsible for business site selection than any other English language newspaper (source: EBRS 1993). For a full editorial synopsis and details of available advertisement positions, please contact;

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FT Surveys

MANAGEMENT: MARKETING AND ADVERTISING

lub Med in Ibiza has temporarily assumed a new identity: the entire 1,000hed operation has been taken over and rehranded Cluh Pepsi Max, as Pepsi-Cola mounts what must be one of the most ambitious pan-European promotions ever attempted.

A total of 1,400 competition winners, most of them in their late teens and early twenties, have been flown from all corners of eastern and western Europe, for a week's all expenses paid holiday. To get there, thay had to ha successful in a variety of Pepsi Max promotions, from finding lucky-number ring-pulls, to composing slogans – the exact competition details have been left to Pepsi marketers in each country.

Prizewinnars are playing baskethall with Magic Johnson, receiving tennis coaching from former Wimbledon champion Pat Cash and receiving fashion advice from aupermodels Linda Evangelista and Karen Mulder, who hava all been flown in by Pepsi. The eotire multi-million dollar event has been designed to complement Pepsi Max's sporty positioning as a low-calorie cola drink for youths wanting to "live life to the Max".

The Ibiza event, gigantic in scale though it is, with Pepsi still adding up the millions of entries to the promotion across Europe, could be the start of something even bigger for Pepsi's parent company, PepsiCo. For the US group - which has in its stable Pizza Hut, KFC (formerly Kentucky Fried Chicken), as well as anack foods such as Walkers Crisps - has also used the event to unveil plans for European growth and co-operation hetween its hitherto autonomous husiness

Using the Ibiza venue during the weekend before the first batch of lucky prizewinners arrived, PepsiCo invited more than 600 trade customers, including supermarket, petrol station and leisure park operators, to sample Cinh Pepsi Max hospitality and to listen to presentations about the company'a

In particular, tha company wanted to get over the message that PepsiCo has more to offer than a brown fizzy drink.

For exampla, it wants to see petrol stations and retailers who may currently stock Pepsl, also considering their snack products and even wanting to site quick-service KFC or Pizza Hut outlets on their premises.

Says Charlotte Pinder, marketing director for Pepsi Max Europe: "Wa've been quite poor at working together with some of our sister companies in the past. We've always heen encouraged to he autonomous units."

PepsiCo has combined an ambitious

promotion with a plan to squeeze suppliers, writes Diane Summers

Living life to the Max



This has had its henefits in encouraging competition between PepsiCo's businesses, but it has also meant, says Pinder, that hest advantage has not alwaya heen taken of the "huge overlap in target

audience" between the husinesses. Also under-exploited has been the overlap between the goods and services purchased hy all the separate husinesses. For the last year, PepslCo's European heads have been meeting to see what economies of scale across

operations might yield. The target is to save \$100m (£66m) a year across Europe, out of costs of about \$2bn, hy using the combined muscle of the separate husinesses.

All this is due to happen within a

According to Paul Steele, Pepsl-Cola's vice-president, sales and marketing in Europe: "When we went through the list it was surprising. For example, Pizza Hnt hoys an enormous quantity of cardhoard for their boxes; Pepsi-Cola buys cardboard for soft drinks trays. We're looking at whether we can leverage that

The same potential economies of scale could apply to the purchase of flour, salt, spices, cooking oil and TV advertising airtime, say the heads of PepsiCo's different divisions, Says Steele: "The husinesses devaloped very separately. We didn't have the scale to do this before, but it has suddenly become a very exciting

The hullding of this scale in Europe, which was outlined for the first time to trade customers in biza, is intended to take PepsiCo over the next six years from an organisation which reaps 80 per cent of its profits from the US, to one which is reliant for only 50 per cent of its business on the home

As an example of the kind of growth to be expected, David Williams, who is responsible for Pizza Hut in Europe, says there are plans to invest over \$100m in his operation over the coming year; from 1,000 units today, the aim is to build to 6,000 across Europe by the end of the decade.

Purchasing apecialists agree the target of \$100m-worth of savings by co-operation between husinesses on purchasing – equivalent to about 5 per cent off PepsiCo's European bills – tooks raalistic, when compared with other companies'

experience.

Mark Ralf, group purchasing director for SmithKline Beecham worldwide, and a member of the Chartered Institute of Purchasing and Supply, agrees that "you can generate huge benefits out of this kind of focus".

His purchasing operation has taken about £200m over three years out of about £3bn of the group's costs world wide. But, he warns. PepsiCo could discover what many companies have found: "Identifying the savings is one thing, actually making them happen is another."

Another apecialist in the area points out: "Americans have a relatively naive view of what happens in Europe. They tend to helieve that getting synergies across Europe is the sama as getting synergies across the US. As well as cultural differences, there just aren't tha integrated supply chains that you have across America. They expect Europe to be the United States of Europe."

At Cluh Pepsi Max over the past few days, PepsiCo is convinced that has found the pan-European youth dream. Consumer research conducted by Pinder throughout Europe for the promotion resulted in "surprise within the company that teenagers in different countries are a much more homogenous group than anyone had imagined," she says. There was universal excitement among young people about the idea of being a star for a week in the company of celebrities.

The next year will see how far suppliers and trade customers can be persuaded to share PepsiCo's pan-European dreams and ambitions.

The fast way to a Japanese stomach

Emiko Terazono explains why Pillsbury succeeded where others failed in a challenging market

racking the Japanese market is daunting enough for foreign food processing companies at any time; doing so in a period when demand is sluggish s even more challenging.

Pillsbury Japan, the Japanese arm of the US food processing company, has managed to clear both hurdles by forming business relationships Japanese style and introducing innovative products at tower prices.

The company has seen strong growth in Japan at a time when most domestic and foreign food companies are struggling amid a sluggish economy and increasing

Building on its "Green Giant" brand canned corn, Pillsbury Japan has carved itself a niche in the canned and frozen vegetables market, and sales have grown from Y2bn (£13m) in 1987 to Y10bn last year.

Part of the success, says Toshi Mitamura, president of Pillsbury Japan, has been in maintaining good relations with its Japane partners, businesses involved in product distribution and PR companies.

It is essential to form a strong relationship with a company's management – even if it means late night drinking sessions and karaoke – and to involve them in marketing plans from an early stage, he says.

This aspect of doing business in Japan has been the Achilles heel for many foreign food makers. Forays into the Japanese market by companies which tried to go it alone such as Borden, the ice cream maker and Campbell Soup have failed.

But while establishing a favourable relationship with QP. which handles its canned vegetable line, and Nissui, a frozen foods company, which distributes Green Giant frozen vegetables, Pillsbury says it was careful to retain control of product development and the marketing of its brands.

Another important factor, says Mitamura, is empowerment to the local head from the parent

"Japanese companies will not take you seriously if the local president is not given full anthority over decisions.

Mitamura, who gained his expertise in the food industry at Morinaga, a Japanese dairy goods maker, and Mister Doughnuts of the US, adds that knowledge of the complex distribution system, the speed of introdocing new products and knowing how to handle red tape at the Ministry of Health and Walfare is also important in the Once in the Japanese market,

It is essential to build a strong relationship with a company's

management - even if it means late night drinking sessions and karaoke

expanding business has also been a challenge. Although Japan's Y32,152hn food processing market is one of the world's largest, growth has stagnated over the past few years.

Pillsbury has tried to overcome this by introducing frozen vegetable prodocts designed for the Japanese market. One product which other frozen food companies have followed is the burdock and carrot vegetable mix.

often used in Japanese cooking. The research and development has paid off and the company now has 43.5 per cent of the frozen

getable market "Product development is always necessary," says Mitamura, adding that there is danger in total reliance on the parent company and the hrand name. Mitamura says foreign food companies have an advantage over

domestic companies because they can offer cheaper imports. With discounting already a trend in the Japanese retail sector, foreign companies can attract consumers without hurting profit

margins by bringing in low-priced products processed in their manufacturing bases abroad.

Lower import prices as a result of the ven's recent rise have therefore helped Pilisbury expand its product range in Japan. This month it will start offering its Dough Boy baking prodocts, and last month it opened a food research and development centre – its first overseas technology centre ontside the US - to target

the Japanese and Asian markets. The expansion in the region comes at a time when growth ln the US food market, Pillshury'a core market, is slowing and companies are being forced to look

for earnings growth oversea The fast-growing Asian economies present profit opportunities because a company can develop products in Asia and then offer them to the growing Asian population in the US Some analysts point out the danger in rapid expansion in new areas at a time when the Japanese

economic recovery is at an early and tentative stage.
"Althoogh market research may ahow demand, many foreign food

companies have found them in trouble when trying to introduce oew products," says Patricia Horvath, foods analyst at hrokers UBS Securities in

At the same time this is a good moment to invest, says Mitamura. Most Japanese compaoies are reducing capital investment, Construction orders and property prices are on the decline, which made It easy for Pillsbury to find a contractor to haild its new

technology centre. However, he adds that the environment surrounding food manufacturers in Japan Is becoming increasingly tough because of the rise in retailers' low-priced, private-brand labels.

"In order to survive, food manufacturers have two choices. Bither become a sub-contractor for a retail group, or become a manufacturer with hrands that offer innovative products at competitive prices," he says.



Whether it's easy access to international telephone lines, or setting up inter-office computer links, fast and efficient two-way communications are an absolute must for western companies doing business in the emerging markets of eastern Europe. Unfortunately, the existing public networks in these countries cannot cope with the traffic demand and this creates a severe problem for many companies.

The solution? Take advantage of our enviable eastern connections. Thanks to our modern satellite capabilities, Telekom can help you create and build up your own exclusive state-of-the-art east/west communication links in an impressively short time, and always at a competitive cost. As a leading and active member of the international satellite operator associations, we have access to the world's largest satellite capacities. Our considerable experience and in-depth knowledge of satellite technology, allows us to give you total support in realizing your needs. Our expertise in turn, is backed by a history of close cooperation with our neighbouring telecommunications authorities in the east. It is, therefore, no surprise that Telekom is

the leading provider of satellite based data networks and services in eastern Europe. We have many other customized solutions to help you. For example, "DELOS" is a Telekom service that has been especially developed for companies who need direct access from eastern Europe to Germany's telephone network

and the world beyond. You can enjoy high quality two-way voice, fax and data transfer and avoid the frustration of waiting for a free line.

So - if a demanding communications challenge is looming on your eastern horizon, have a word with Europe's No. 1 – Telekom.

Telecommunications made in Germany. We tie markets together.





The magic way

New tools for routine jobs

A new generation of computing tools is

being pressed into service in some of the most competisectors of the finan-Financial cial services indus-services try. "Intelligent"

IT innovation computing techniques are designed to imitate human behaviour in the way information is sifted and responses made. They include neural networks, which are interconnected computing units that loosely resemble the function of neurones in the human brain; genetic algorithms, which help find the best solution from large amounts of data; and fuzzy logic, a tool for deal-

They are being used in a range of applications, including credit assessment, fraud detection, forecasting and portfolio management. Banks believe they have the potential to sharpen their competitive edge, since their adaptability and skill at manipulating large amounts of data often surpass traditional sta-

tistical techniques. Almost every large financial business in Europe and the US is experimenting with these tools, according to Sergio Focardi, a partner of the Intertek Group, a Paris-based research organisation which has condocted a survey of advanced computational methods in 80 international banks. This research, in which banks are typically investing

crack insider dealing rings.

rand investigators at the London Stock
Exchange are testing pioneering "intel-

The exchange recently conducted a pilot study with an antomated insider dealing

detection system, codenamed Monitars (Mon-

itoring Insider Trading and Regulatory Sur-

veillance), installed by SearchSpace, a com-

pany that uses University College London's

research in intelligent systems. The aim is to detect dealing rings of several individuals, or one individual with several accounts.

to solve using conventional techniques, such as statistical analysis, involves spotting the

The problem, which is extremely difficult

ligent" technology in an attempt to

as highly promising, he says. Some bankers are very enthusiastic. "The potential is incredible," says Bill Edisbury, manager of

emerging technology at TSB bank.

The TSB has been experimenting for five years with building models using neural networks' ability to learn from experience. TSB General Insurance in Newport uses such a model to set premiums for personal loan protection insurance, based on data from national unemployment statistics and claims histories. The bank, together with University Col-lege London, has also exploited the pattern-recognition ability of neural networks by building a model that was 57 per cant successful in fore-casting the direction of the long-

dated gilts market. But for every enthusiast, there is a sceptic. Many financiers believe that these computational techniques promise more than they can deliver. Moreover, the secrecy that surrounds most banks' experiments in the field is believed often to hide disappointing results. "It is a triumph of optimism over experience. People's experience has been mixed

to poor," says one banker. The performance of these tools depends largely on where and how they are used. Intertek's Focardi believes that the success of the tools in forecasting markets' behaviour lags behind their success in dealing with relatively simple questious in credit assessment, fraud detection and marketing, where

up to \$3m (£1.8m) a year, is viewed "the results are consistently good". difficult subject because of the intrinsic complexity of markets' behaviour, the possibility of struc-tural change and the lack of data." Even enthusiasts such as Edis-

bury believe that the take-up of these tools by the financial markets may be alower than originally

The tools are not necessarily expensive or difficult to apply. One package, devised by Right Informa-tion Systems, a software house, which is used in several banks, costs £10,000 and can be used by anyone with spreadsheet skills This system can run on a standard PC, although some users prefer high-performance computers. However, many people are reluc-tant to use neural networks because

of the difficulty in seeing how a particular decision was reached This is a particular problem in loan evaluation work, where it is often necessary to explain why a loan has been turned down. Another problem is "overfitting", where the model finds spurious pat-

terns in a given set of data. "Neural nets are so easy to abuse," says Konrad Feldman, a researcher at UCL. "The fact they have learned something doesn't mean they can

One way in which these weaknesses can be overcome is by combining neural networks with other innovative techniques in hybrid systems. For example, the parame-



ters used by a neural network model can be refined using genetic algorithms, which attempt to breed the best solutions from a set of random solutions in a manner analogous to the mechanisms of blological evolution. They are being used to construct useful trading rules from a set of plausible rules and in portfolio management to find an ideal combination of assets.

Neural networks and genetic algorithms can also be used in conjunction with fuzzy logic. Fuzzy logic provides a mechanism for handling imprecise concepts, such as "small", "big", "high" and "low", which is particularly useful in loan evaluation and marketic colories.

tion and portfolio selection. Japanese banks have been in the forefront of these techniques. For instance, Yamaichi Securities uses fuzzy logic to make decisions for an

uses a neuro-fuzzy system for a bond-rating programme. To a greater or lesser degree, all

these computational tools are difficult to apply. Paul Refenes, an expert in financial engineering at London Business School, donbts that there have been been any "wholesale" successes in applying these tools to the management of money, and says that difficulties in quantifying risk will make banks reluctant to hand over large sums

of money to these machines. Yet even if their scope to manage money autonomously proves limited, they are expected to have a greater role in alding research. "They could replace certain expert areas in the financial services sector," says Edisbury, while Refenes says: "They will become a tool that traders and investment managers will have to use."

Magic's "Magic Cap" graphical interface, which presents functions in familiar scenes: the desktop, complete with telephone.

to keep in touch The latest personal communicators promise a wide range of new functions, writes Louise Kehoe

It is "take two" for personal communicators, as a new set of players takes the stage with the launch in the US this week of Sony's "Magic Link", a devices combining communications and personal

computer functions. Unlike the first "personal digital assistants", such as Apple Computer's Newton, which failed to live up to the expectations of their makers, Magic Link owes much of its wizardry to an advanced data communications network called Personal ink,

provided by AT&T. While Apple's Newton is primarily a personal organiser, with some communications functions, the Magic Link is, first and foremost, a communicator. Weighing 20 oz, and measuring 7½" by 5½", the device automates many of the chores of communicating by electronic mail.

pager, telephone or fax. The Sony product, and others from Motorola. Matsushita of Japan and Philips of the Netherlands which are expected to follow, are access devices for this

new network.

PersonaLink, which began operating in the US this week, is "a foundation, or platform for an electronic community," AT&T says. Similar to established computer on-line services such as Prodigy and Compuserve, PersonaLink allows users to send and receive electronic mail, access news services and go "electronic

shopping". PersonaLink is the first commercial network to support the use of "intelligent agents". These are mobile programs that can be instructed to travel the network performing tasks such as searching for a particular product or data, "Agent" technology is the creation of General Magic, a Silicon Valley company backed by Apple Computer, Matsushita and

Philips as well as Sony and AT&T. Magic Link uses General

notepad and postcards that can be used to send brief messages; a hallway with doors to rooms such as the library, for reference materials; and "downtown", with buildings that represent services such as a travel agent for booking airline flights.

Initially, PersonaLink will primarily be a messaging service with a difference. The service will offer users the ability to order incoming messages according to priority. PersonaLink also addresses another drawback of electronic mail - the need to know electronic mail "addresses", for which there is no central directory. PersonaLink subscribers can send messages to each other simply by name. An agent will automatically search the directory of subscribers, deliver the message and bring back complete addressing information to the originator.

Later this year subscribers will also have access to the PersonaLink Market Square, an electronic shopping mall. Through gateways to other electronic mail services, including the Internet. PersonaLink subscribers will be able to reach and be reached by millions of people, They will also be able to send (but not receive) facsimile message

For now, Sony's personal communicator offers only limited wireless communications via the SkyTel satellite paging network. An optional plug-in card adds paging. In January, Motorola announced the "Envoy" personal wireless communicator, also based on General Magic software, with a planned sale price of \$1,500. (£950)

but it has yet to come to market. Sony's less ambitious approach, using conventional telephone lines rather than wireless services has helped keep the list price below \$1,000. It is expected to sell at about \$700.

Aimed initially at "technologically optimistic mobile professionals", Magic Link and PersonaLink could lighten the load of business travellers who carry a notebook computer, cellular telephone and pager around in their bulging briefcases

Tackling insider dealing with fuzzy logic

"signature" of certain traders from a vast with several other "intelligent" techniques. amount of electronic camouflage, explains Jason Kingdon, a UCL researcher.

It is an example of a pattern recognition problem that can be skilfully handed by a neural network, a computing device which has similarities with the structure and function of nerve cells in the brain.

The neural network is used in conjunction

For example, it uses fuzzy logic, a mechanism for dealing with imprecise information, in order to be able to cope with some inconsistencies in the patterns picked ont.

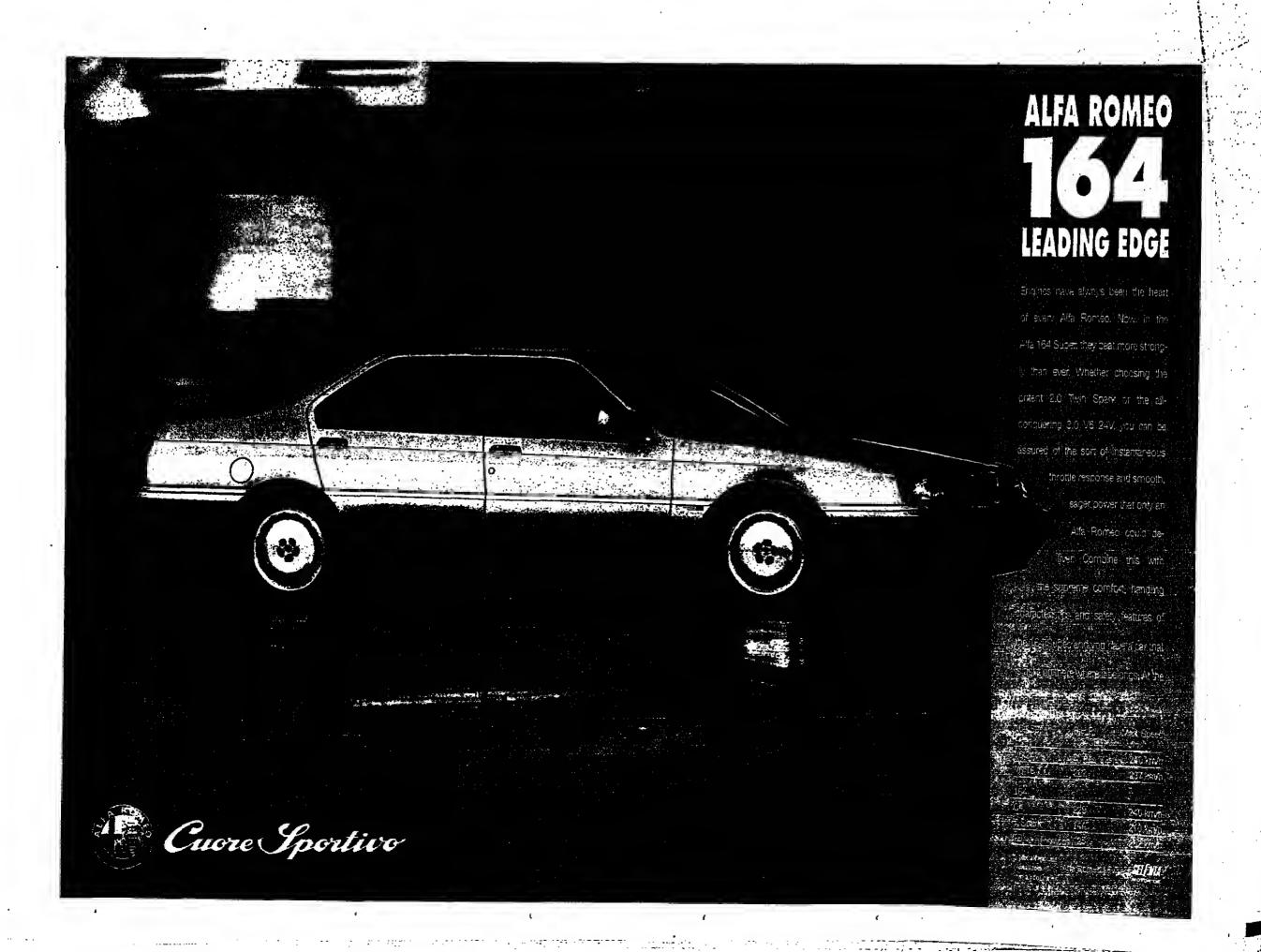
It also uses genetic algorithms, which use mechanisms inspired by biological evolution

to search very large data sets.
In the Monitars systems, a genetic algo-

rithm is used to allocate resources by working out which lines of inquiry seem most promising. The machine is adaptable in that it starts with very precise criteria of what it should look for, which it gradually relaxes It is also capable of working antono-

mously, since it can set its own objectives. The London Stock Exchange has yet to decide whether to install the system permanently. "It is one of several means of analysing share movements which we are looking at to strengthen our regulatory operations

Vanessa Houlder



Cinema/Nigel Andrews

Problem mothers

Ladybird, Ladybird, sets the mind musing on a question. Are there two different Ken Loaches? They obvi-ously look and sound identical: the pixie features with finely ruffled hair and saintly unblinking eyes, the wisp of Midlands in the voice. But the two men seem to make totally different films.

Ken One makes those ironic, touching social comedies like Riff Raff and Raining Stones: all about Britain trying to smile through its dole-drums. Ken Two makes those strident message movies, loud with special pleading and pamphleteer-ing, like *Hidden Agenda* and now Ladybird, Ladybird.

K1 is a sedncer, K2 is an agitprop rapist. If beguiling and reasoning do not work, Ken Jekyll turns into Ken Hyde and throws us to the ground, forcing open our defences. The new film's heroine is Maggie, a quadruple mmarried mother (four children by different fathers) whose offspring keep being dragged off into care: even, in one scene, straight from post-natal bliss in a maternity hospi

But though she is both neurotic and neglectful - first seen accidentally imperilling her brood when she locks them in their hostel room shortly before a fire breaks out - she is not the demon in Loach's drama. That role is reserved for the social workers: presented without exception as bureaucratic harpies sticking to the letter of an unfeeling law. Their job is to be always one step ahead of our heroine, nipping her dreams of full-time parenthood

whenever they look like ripening. Emotionally, the film is so weighted towards Maggie that the welfare drones have no chance. She is played with scenery-chewing pas-sion by newcomer Crissy Rock. A dumpy blonde with sandpaper voice and rumpled face, she looks permanently as if she has just emerged from a detox clinic. In fact Maggie

he seeing-double title of has surfaced from something just as Keo Loach's new film, bad – life with battering boyfriend Ray Winston - and is now learning how to batter, emotionally, her own new boyfriend, a do-gooding Paraguayan refugee called Jorge.

As played by Vladimir Vega, a sweet, drained, soft-spoken presence, Jorge is the only recognisable human being in the film. But even he wears a Loach placard round his oeck. Ex-freedom fighter in his own country, his function is to nag us gently, insistently, into equating British welfare bureaucracy with Latin American totalitarianism. He even has s speech - Loach stops the film in its tracks so we can listen -

LADYBIRD, LADYBIRD (18) Ken Loach

> BAD BOY BUBBY (18) Rolf De Heer

> > **SPEED (15)** Jan De Bont

THE RED SQUIRREL (18) Julio Medem

about governments needing to create misery in order to exercise power over their people.

This equation is so ontrageous thet Loach should be hauled up and hung by the toes by all the children who have been rescued from genu inely abusive parents by genuinely concerned social workers.

Instead in Ladybird, Ladybird the cardboard carers are condemned by their patient voices and needling questionnaires. And mother-earth Maggie is sanctified by her screaming devotion to her tots and her flair for hurling invective at social visi-tors over the tea and biscuits.

That Maggie can be a pain in the neck and a paradigm of bad parenting even Loach and screenwriter Rona Munro admit. But they do not seem to consider that a dent in their argument. In a sense they are right. For there is oo argument, dentable or otherwise, in a film like this: you cannot have a buman issues debate without two sides that inhabit a human dimension. In Ladybird, Ladybird Maggie and her Paraguayan Galahad are presented as flesh and blood or more than fleshand-blood. Everyone else is a cipher, or a mark on Ken Two's well-peppered polemical darthoard.

What fine kismet decided that Bad Boy Bubby should open in the same week as Ladybird, Ladybird? Rolf De Heer's black Australian comedy, honoured with Silver Lion at last year's Venice Film Festival, is about an emotionally arrested young man (Nicholas Hope) escaping from decades of house arrest under a mercilessly "loving" Mum.

This fat old crone - the sort of mother Loach's Maggie might turn into giveo a minor increase in her possessive hysteria – has kept Junior at home as her pet, her baby, her lover. And home is a surreal, Beckettian hell of grey walls, mouldering food and free-range cockroaches. Watch Bubby eat one; watch actor Hope do it for real. In the absence of caring social workers, all frightened off the planet

by Ken Loach, what can a poor boy do? Murder mother and briefly-returning Dad; smother them both in clingwrap. Then step into the outside world which not surprisingly, in this inside-out film from down under, is a kind of wacky Hades: Streets Of Fire meets Blade Runner. It is scarcely less claustrophobic than the home our hero has left. But De Heer has a catchy Candide humour. He is soon staging witty confrontations between his all-innocent wild child and the special-interest groups that run planet earth. Bubby brings his perceptual innocence and untutored morals to the Salvation Army, a grunge rock group, a cerebral palsy ward. The

brightly lit, grey and white foyer where

a long counter houses both box office and reception. The cafe and bar area, although transitionally streamlined, remains unresolved - the dark wood,

bistro-style tables and chairs an irrita-

tingly anachronistic element within the

But what of the studios? Seating

capacity has been increased - to 500 (from 370) in Studio I and 400 in Studio

2 - at the expense of comfort. Studio 3,

redesigned for small scale projects, can

accommodate an audience of just over

100. The seats are of the small, shallow-

backed, red plastic variety and the

tightly packed rows offer minimal leg

room. Should you actually lean back, it

is likely to be against someona's knees.

When Riverside's director, William Bur-

dett-Coutts, decided to add Robert

Lepage's epic The Seven Streams of The River Ota to his autumn programme, he

must surely have blanked out any

thought for the comfort of his audience.

Le Cirque Invisible, the show with

which Burdett-Contts has chosen to

reopen Studio 1, lasts almost two hours,

yet it is not the kind of event which

compels viewers to sit quietly rigid.
This self-contained mini-circus founded

by Victoria Chaplin and Jean Bapiste Thierree (her husband) some 20 years

ago (as Le Cirque Bonjeur and, subse-

quently, Le Cirque Imaginaire) is not



Crissy Rock as Maggie with three of her children in Ken Loach's 'Ladybird, Ladybird'

we hardly notice when it happens.

Speed is a triple-jeopardy thriller about public transport. Mad bomber Dennis Hopper plants the TNT on a crowded elevator, a city bus and a subway train - in that order - while SWAT con Keanu Reeves runs about with the gloves and pliers and the gale-force warnings.

The long central bus sequence is so suspenseful that you never want it to end. The vehicle cannot dip below 50 mph or it will explode. Therefore, with a beantiful female passenger (Sandra Bullock) taking the wheel from the injured driver, and Reeves ranting instructions at her side, we plough on through rushraised freeway), sure in our hearts that neither petrol nor plausibility will run out.

The audience's natience certainly does not. Speed is near-perfect Hollywood action fare, directed at the double by a Dutchman (ex-cinematographer Jan De Bont) and scripted by Graham Yost as if under the influence of unnatural stimulants. If Keanu Reeves is taking over the action hero franchise from Sly and Arnie, we welcome his fresh, youthful, Zen-buddyist approach. Bullock is a tough, funny heroine. And Hop-per is a natural for mad bomber roles. That hulbous, smouldering, no-neck head only needs a coat of black paint and a fuse to terrify

Julio Medem's The Red Squirrel is a strange, tiresome fable from Spain. Boy (suicidal ex-rock singer) meets girl (amnesiac motorbike-crash victim) and takes her off on a campsite holiday, claiming he is ber longtime lover. The premise is interesting enough to explain why Hollywood optioned the film for a remake. But nothing that follows is of interest at all. The fey, fidgety script wanders squirrel-like round the single location, finding and storing ideas and then seemingly forgetting where it pnt them. Minor characters remain minor, there is some silly animal symbolism; and we look back fondly to Medem's last feature, the daringly surreal Vacas (Cows), wondering where he buried and forgot the talent that went into that,

film turns from horror comedy to hour traffic and minor obstacles (a unwary commuters into believing It satire, and the change is so deft that pram, a truck, a 50-foot gap in the is the real thing. Le Cirque Invisible reopens Riverside



Victoria Chaplin Alastair Muir

Iverside Studios, the West Lon-don Arts venue which closed really a vehicle for conventional, sawdust-ring skills and turns. Indeed, it feaits doors in April, has tures Chaplin treading the high-wire reopened after the first phase and the couple's acrobatic son, James, of an extensiva redevelopment proon elasticated trapeze and on various custom build cycles. But Chaplin and gramme. Gone are the corner bookshop and hotchpotch of small gallery spaces. Thierree subvert the whole character and vocabulary of circus performance A new, glass-fronted entrance (on Crisp and, in doing so, multiply its essential Road) leads directly into a deep,

magic and fun. As the show's prize clown, Thierree injects the simplest tasks and ideas with totally absurd humour: pulling off a wig of shaggy grey hair only to reveal his own, identical mop, placing an open book in front of a dozy rabbit; accidenchopping carrots and celery at high speed. These antics - or maybe just Thierree's small but wildly inappropriate gestural flourishes - leave you weak with laughter. But Thierree also has an extensive solo repertoire of surrealist, chameleon characters, such as the Magritte-inspired zehra man and tapestry man. The latter, dressed from head to foot in needlepoint-realised pastoral scenes, carries a tapestry covered

hanana. As a conjuror. Thierree freely dabbles in the coloured handkerchief school of magic. Not that he aimed for - or achieves - the usual results: "a dog," he announces, letting a square of silk waft to the ground and lifting it to reveal a plastic turd. He also treats his props with a schizoid combination of brutish disregard and motherly care: metal objects are tossed into the empty wings; a dropped satsuma is recovered with a napkin. Of Thierree's Gallery of walk-on/walk-off joke characters, the most hrilliantly perverse is an over coated figure who clutches a spherical,

suitcase and peels a tapestry-skinned

newspaper wrapped object to his chest and rips away the covering to reveal Thierree's bobbing, chattering head. The perfectly assessed brevity of

these episodes contrasts with the more sustained quality of Chaplin's solos -most of which rely on the laboriously precise manipulation of large and heavy costumes for their clever, illusory effects. The most organic of Chaplin's designs is a free-standing, full length skirt structure in which she is hidden and which drifts and rolls precariously around the stage, like some decapitated Georgian dancer.

While Chaplin works slowly and the unidentifiable creatures of a vivid imagination. Thierree tends towards more prosaically human roles embrac-

ing both deliberate incompetence and irascible silliness. His comic mime take on the Pearlfishers duet - Thierree dressed as a medieval monarch and grinning like a village idiot, mouthing the words and tugging discreetly at the jaws of the singing puppets on his knees – is rib-achingly funny. After her busband's tomfoolery, it is easy to treat Chaplin's contributions as mere recovery time, but her more modest preseoce should not be underestimated. Together, Chaplin and Thierree have created a dream circus full of wondrous eccentricities.

Sophie Constanti At Riverside Studios until October 16. (081-741 2255).

A £1.5m boost for West End theatre

he West End theatre will receive a shot in the arm where it matters most today, in the balance sheet. It will announce a deal with a group of companies who are collectively investing £1.5m in the London theatre over the next three years.

The agreement has been put together by tha Society of London Theatre. which represents the leading producers and theatre owners. Seagram, Radisson Edwardian Hotels, and Grolsch are the contributors to date, and other companies are expected to add to the kitty

soon. It could rise to £3m. The money wil be spent on promoting West End theatre, and bursaries for young actors and would-be producers. Some of the extra cash will go to the Theatre Investment Fund, which supports plays put on by new producers. But the main impact of the sponsor ship will be the West End Proms when, for a month, perhaps next September, 150,000 tickets will be offered at sub

stantial discounts. The aim is to attract

under-25s to the theatre. For Seagram and Grolsch there will be promotional spin offs but also the practical gain of having their brands on exclusive sale in around 70 per cent of West End theatres. Radisson Edwardian becomes the society's official hotel partner. This is the first big sponsorship deal gained by the society and comes at s time when the West End is holding its own fairly well. Ticket sales this year are on a par with 1993, which set a

Antony Thorncroft Sponsored by National Power.

Concert **National** Power Piano final

n Tuesday the National World Power Piano Competitioo – oo. sorry: the National Power World Piano Competitioo came to its finals in the Royal Festival Hall. The label does not trip off the tongue, and it sounds curiously displaced. which may be a negative asset in promoting It as a world-class contest.

It was being held for the second time, after a 1991 start which culminated with four deeply ppremarkable finalists. For the final 1994 event the Competitioo fielded not only Dirk Bogarde (as languld presenter) but the Princess of Wales (among the audience), which might seem like missing the point; oo the other hand. this year's jory was properly ladeo with real planists, oot the multi-national pedagogues of 1991. On the strength of this last concerto-round, they identified more promise though I do oot knew what the wbole field of candidates was like, nor did I bear the crucial

semi-final solo recitals. Bach cootestant had to be ready to play cither of two concerti, ooc to be selected by the jury. Whether its choice was determined by programme-desiderata or hy guesses aboot what cacb pianist might play best, we were not told. The eventual result seemed to exclude the first possibility, sioce it crowded the programme with three of the loogest concerti in the standard repertoire.

vgene Mursky, tbc 19-vear-old Uzbekistani wbo woo. pleyed Tchaikovsky No. 1 with spirit, flair and mnch brilliance - hit-or-miss: there were a lot of wroog notes, too many for the patience of most recording engineers. Naturally enough, he cannot yet stamp cvery fustian passage with authority, and relied npon his condoctor Jean-Claude Casadesus to guide the Philharmonia firmly through the piece.

Popular opinion takes this concerto for grand pianism, but it is not very pianistic at all - not in the sense in which master composer-pianists write "pianistic" concerti, with idiomatic piano trouvailles. Tchaikovsky borrowed and devised a lot of ingenious, mechanical colour-effects for some hoping that a real planist might bring them off. Mursky's fingers brought off many of them.

Paul Lewis, 22 and Britisb, played Rakhmaninov no. 3, another warhorse, with more calculated assurance and a modicum of brilliance. Unfortunately nearly everyone – perbaps the judges (oo – remembered the performance by Artur Pizzarro that won him the last-but-one Leeds, and for fluent, committed passion Lewis was not in the same league. The American Jeremy Denk, 24, delivered Brahms One tidily and in modest, decept taste, without intruding any fresh (bought opoo it. His semi-final recital must have been much better.

David Murray

International

BOLOGNA

Teatro Communate Tonight, tomorrow: Paolo Carignani conducts Orchestra of the Teatro Communale in Saint-Saens' Fifth Piano Concerto (Aldo Ciccolini) and Franck's Symphony in D minor. (Biglietteris Ente Autonomo Teatro Communale di Bologna, Largo Respighi 1, 40126 Bologna. (051-529999)

■ FLORENCE

Teatro Communala Tonight, Sun, next Tues: Zubin Mehta conducts Jonathan Miller's production of Cosi fan tutte, with Karita Mattila, Dolores Ziegler, Deon van der Walt and ssandro Corbelli (055-277 9236) Piccolo Teatro Tomorrow, Sat, Sun: Il filosofo di campagna, dramma glocoso by 18th century Italian composer Baldassare Galuppi (055-277 9236)

LONDON

THEATRE The Venetian Twins: a transfer from Stratford of Ranjit Bolt'a new

RSC version of Goldoni's 18th century Italian comedy, directed by Michael Boodanov, Starts previewing tonight, Press night next Wed (Barbican 071-638 8891)

 The Slab Boys Trilogy: the first London revival since 1982 of John Byme'a comic trilogy, which follows the lives of three Palsley boys from desperate youth to despairing middle-age. The three plays can be seen individually or as a comple package on certain Saturdays. Final previews tonight and tomorrow. opens on Sat (Young Vic 071-928

The Sisters Rosensweig:

Maureen Lipman, Janet Suzman and Maureen Liphran, our Lynda Bellingham in Wendy Wasserstein's Broadway success about three American Jewish sisters who have a reunion in London. The production has just moved to the West End after a successful run at Greenwich (Old Vic 071-928 7616) The Children's Hour: Howard Davies directs the National Theatre's new production of Lillian Hellman'e 1934 drama, about a vengeful schoolgiri who accuses her teachers of having a lesbian affair and sets in motion the collapse of their world. The cast is headed by Harriet Walter and Claire Higgins. Next performances Oct 4-7 and 19-24 in the Lyttelton (National 071-928

2252) The Playboy of tha Western World: J.M. Synge's dark, cruel Irish comedy, in a brilliantly perceptive production directed by Lynne Parker (Almeida 071-359 4404)

The Seagull: Judi Dench heads a splendid cast in Pam Gems' new version of the Chekhov play. In repertory in the Olivier with a new production of The Devil's Disciple.

Shaw's 1897 satire on melodrama (National 071-928 2252)

The Winslow Boy: Peter Barkworth is ideally cast as the stiff upper-lipped father battling Whitehall to prove the innocence of his son. who has been expelled from naval college. A well-made production of Terence Rattigan's well-made 1946 play (Globe 071-494 5065) The Miracle Worker: Jenny Seagrove is the beautiful heroine in William Gibson's well-tallored

Helen Keller. Closes Oct 8 (Wyndham's 071-369 1736) Saint Joan: Imogen Stubbs is the soldier saint in this fine staging of Shaw'e wordy but gripping play (Strand 071-930 8800)

tear-jerker about the blind infant

 Beautiful Thing: the Bush production of Jonathan Harvey's uplifting play - about two boys who fall in love against a background of disintegrating families on a housing estate - has resurfaced in the West End following its self-out success at the Donmar Warehouse in March (Duke of York's 071-836 5122)

 Once on the Island: following Broadway success and a self-out season at the Birmingham Rep, Lynn Ahrens and Stephen Raherty'a musical is welcomed into a specially created Caribbean environment at the Royalty. The fairy-tale story of a peasant girl's doorned love for an aristocrat is directed by David Toguri and Gwenda Hughes. Just opened (The Island Theatre at the Royalty

071-494 5090) She Loves Ma: tha charming 1963 Masteroff, Bock and Hamick musical about two longtime pen pals who don't know they work in the same parfumerie. Ruthle Henshall and John Gordon Sinclair head the

cast (Savoy 071-836 8888) OPERA/DANCE

Covent Garden The Royal Opera has revivals of La Cenerentola with Olga Borodina, Raul Girnenez and Simone Alaimo (next performances tonight, Sat, next Tues and Thurs, continues till Oct 15), and Turandot with Sharon Sweet and Gluseppe Giacomini (final performanca of this run on Mon). Tha next new productions are Das Rheingold and Die Walkure, opening Oct 13 and 14 (071-304 4000)

Coliseum English National Opera's repertory consists of a new production of Tosca, conducted by Alexander Gibson and staged by Keith Warner, with Rosalind Plowright in tha title rola (next performance tomorrow, continu Oct 27), and a revival of The Mikado (tonight, Sat, next Tues and Thurs). A new staging of Massenet's Don Quichotte opens on Oct 8 (071-836 3181)

Sadier's Wells Cumbre Flamenca, a touring Spanish flamenco group, is in residence till Oct 8 (071-278 CONCERTS

Barbican Tonight: London Symphony Orchestra 90th birthday gala, conducted by Michael Tilson Thomas, Colin Davis and Mstislav Rostropovich, Tomorrow, Sat: Paco Pena's Misa Flamenca. Sun: Tilson Thomas talks about and conducts Strauss' Ein Heidenleben, Mon: Gennady Rozhdestvensky conducts RPO in Rakhmaninov, Schnittke and Prokofiev, Tues: gala concert for Save the Children Fund, Next Wed and Thurs: Tilson Thomas conducts world premiere of new work by John Tavener, plus Mahler'a Fourth

Symphony - one of a series of LSO

Mahler concerts throughout October. Oct 7: Anne Sophie Mutter violin cital (071-638 8891) South Bank Centre Tonight: Franz Welser-Möst conducts LPO in works by Beethoven, Wagner and Henze, with soprano Amanda Roocroft. Tomorrow: Matthias Barnert conducts LPO in Bizet, Martin, Debussy and Musorgsky/Ravel. Sat: Andrew Davis conducts BBCSO in Berlioz and Tristan Keuris, Sun:

Jessye Norman. Mon, Tues and

Lassus (071-928 8800)

Wed: Shirley Bassey. Wad (QEH): Tallis Scholars sing Palestrina and

■ MADRID Teatro Lirico La Zarzuela Tonight, tomorrow, Sat, Sun: Spanish National Ballet in a mixed bill, Including choreographies by Victoria Eugenis and José Granero (01-429

MILAN

Teatro alla Scala Tonight: Kenneth Montgomery conducts Handel's oratorio La Resurrezione, with vocal soloists including Eva Mei and Barbara Fittoll, Sat: John Eliot Gardiner conducts Orchestre Revolutionnaire et Romantique and Monteverdi Choir in Beethoven's Ninth Symphony. Sun: Aldo Ciccolini plano recital. Mon, Tues, Wed: Carlo Rizzi conducts orchestral works by Gluck and Shostakovich, plus the world premiere of Marco Tutino's new clarinet concerto, played by Dimitri Ashkenazy. The October schedula includes concerts by Rudolf Buchbinder, Ruggero Raimondi, Francisco Araiza and the London Symphony Orchestra under

Solti. Riccardo Muti conducts a new staging of Monteverdi's L'incoronazione di Poppea, opening Oct 14 (02-7200 3744)

PRAGUE

Dvorak Hall Gerd Albrecht conducts the Czech Philharmonic Orchestra tomorrow in its first concert of the new season. The programme consists of works by Fibich, Viktor Ullmann and Brahms. Mon: Josef Suk violin recital. Tues: Tetsuii Honna conducts Czech Radio Symphony Orchestra in Mozart, Rakhmaninov and Brahms, with plano soloist Kvita Bilynska. Next Wed: Gaetano Delogu conducts Prague Symphony Orchestra in Mahler'a Seventh Symphony (02-2489 3352)

■ ROME

The Orchestra dell'Accademia Nazionale di Santa Cecilia opens its 1994-5 season next Tuesday with a special concert conducted by Carlo Maria Glutini, Pierre Boulez and the Ensemble InterContemporain open the chamber music series on Oct 10, and the subscription series of orchestral concerts begins on Oct 15 with a Bach and Stravinsky programme conducted by Daniele Gatti. Visiting artists in the opening month include Barbara Hendricks. Krystian Zimerman and Vladimir Spivakov. Guest conductors later in tha season include Rozhdestvensky, Giulini, Maazel, Berio, Sinopoli and Sawallisch, All concerts take place at the Auditorio di Via della Conciliazione (06-6880 1044)

ARTS GUIDE Monday: Berlin, New York and Tuesday: Austria, Belgium therlands, Switzerland, Chlcago, Washington. Wednesday: France, Ger many, Scandinavia.

Friday: Exhibitions Guide European Cable and Satellite Business TV (Central European Time) MONDAY TO FRIDAY NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

Thursday: Italy, Spain, Athens

ondon, Prague.

MONDAY NBC/Super Channel: FT Reports 1230.

TUESDAY Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY

NBC/Super Channel: FT Reports 1230

NBC/Super Channel: FT Sky News: FT Reports 0230.

SUNDAY NBC/Super Channal: FT Reports 2230 Sky News: FT Reports 0430,

Powerful threat of German weakness



German politi cians, particularly Chancel Helmut Kohl, grossly the problems of transforming

REVIEW - East Germany and then made the task harder still through misjudged policies, argues David Marsh in his book on Germany and Europe. in e shrewd and imaginative

analysis of the impact of unity. Marsh develops a persuasive underlying thesis - the main threat to Europe comes not from German etrength bot

As Financial Times Bonn correspondent from 1986 to 1991 and European editor eince 1991, Marsh witnessed German unification and the hesitant moves towards greater European unity at first hand. The author provides a pow

siveoess with which Kohl selzed the opportunity to merge the two Germanys politically deserted him when it came to economic union. in 1990. Kohl talked of "flour

erful account of how the deci-

ishing landscapes" in the east within three or four years, and promised unity without pain no one will be worse off.

The reality was different. The combination of monetary union at a one-to-one rate. instant membership of the istic wage rises and the shrinkage of eastern markets led to the almost immediate collapse of east German industry.

Ecocomist Holger Schmieding described the impact on east Germany as "probably the greatest economic crisis ever to befall an advanced industrial economy in peace time", with a spectacular fall in output and employment.

Marsh describes how Kohl decided on immediate union overnight and then forgot to, or decided not to, inform the Bundeshank. "Seldom in the field of economic history had a step of such consequence been prepared with so little fore-

Against the advice of Karl Otto Pohl, then Bundesbank president, the government went for a one-to-one conversion rate "which gave 16m east Germans the opportunity to satisfy their pent-up yearning

GERMANY AND **EUROPE:** The Crisis of Unity By David Marsh William Heinemann, 336 pages.

> Published in German as Der zaudernde Riese: Deutschland in Europa, C. Bertelsmar 256 pages, DM39.80

> western consumer goods. but simultaneously stripped them of the means to earn the future incomee oecessary to pay the bill". Disastrously. Kohl and his

coalition government promised west Germans that unification could be achieved without tax increases. When east German industry collapsed, annual public transfers of DM150bn were needed from the west to prop up income and consumption. This was largely financed by borrowing (though, after the electioo, taxee were also increased) - so much so that the public sector borrowing requirement soared from 1 per cent of west German gross stic product to 7 per cent

This was not the only consequence of the failure to put the financing of unification on a proper fcoting. The Bundesbank - taking, as required by law, a strict view of its anti-inflationary responsibility increased interest rates three times in 1992 and again in July 1993. The west German economy, the growing uncompetitiveness of which had been disguised by an immediate consumption splurge, was plunged into a deep recession. Marsh shows how the Bund-

esbank'e tough policies, which may have been necessary for Germany, fed through into other European economies where they were inappropriate. High German interest rates nged European recession and led to two exchange rate crises which weakened the European Monetary System and delayed further the goal of European monetary union.

Marsh records a revealing telephone conversation that took place in October 1990 between John Major, at that time UK chancellor of the exchequer, and Pohl before Britain joined the European exchange rate mechanism. The

that it had predicted five out of the last three recessions.

it thought sterling was overvalued at DM2.95. Major replied that Margaret Thatcher, then prime minister, insisted on going in at that rate. The author's judgment on Meastricht was that it was an understandable attempt, led by

the French and enthusiastically supported by Kohl, to bind the new unified Germany into a "European framework to make, in Thomas Mann's phrase, 's European Germany not a German Europe'". But because unification proved so much more difficult a task and had a much greater impact on the rest of Europe than most European politicisns had believed, it was undermined almost from the start. Marsh argues that "Europe will not be united until Germany is united", and that Germany should concentrate on making

a euccess of unification. The author presents a relatively optimistic scenario for the future. The German system of corporate and social consensus will adapt itself to necessary economic and industrial change. Self-sustaining growth will begin in east Germany. The European Union, led by Germany, will shift its focus to the eastern half of Europe and prepare to admit Poland, Hungary and the Czech Republic. Plans for European economic and monetary union will be postponed, although a D-Mark zone will emerge with the prospect of e single currency in the form of the D-Mark.

"A prerequisite for an effec-tive and self-confident Europe is an effective and self-confident Germany with the ability to set the EC agenda along with its main European part-ners, France and Britain," the euthor concludes.

But how is that to come about if Germany is so preoccupied with its internal problems, if France resents German leadership, and if Britain con-tinues with its traditional posture of continental reluctance? Maybe that is the subject for

Giles Radice

The reviewer is Labour MP for Durham North. His own book on post-unification Germany will be published next year

ning American econoonce said the stock market was good at predicting economic downturns; so good

he Nobel Prize-win-

His point was, of course, that although financial markets contain useful information, they can often be wrong and should not be followed blindly. It is time to make the same point more loudly in relation to bond markets, financial futures markets and all the other markets which deal at one remove or another with

varying maturity. One cometimes has the impression that the whole of economic policy is a play acted in front of a financial market eudience. A Treasury permanent secretary, whom I visited in the pre-Thatcher days of unbelieving monetarism", bad e pile of reports on his desk

fixed interest rate securities of

from the leading city monetary analysts of the day. The permanent secretary probably did not believe a single word, but he wanted to read them because he feared they influenced the price of sterling.

The markets that are now putting the fear of God into central bankers and finance ministers are no longer the foreign exchange markets but the bond markets. The latter are said to be afraid of the resurgence of world inflation, in spite of widespread evidence of an anti-inflationary climate in which intended price and pay increases are difficult to imple ment. The US is further along the economic cycle and dis-plays more evidence of inflationary tendencies then - let alone Japan Europe where deflation is the main threat. But the Federal Reserve deserves some cheers for making its own decisions on the pace and extent of monetary tightening and for not simply reacting to the bond markets and their spokesmen.

How good are the bond markets at predicting inflation? The top chart shows UK inflationary expectations, based on the difference beteen the yields on conventional gilt-edged securities and the yield on indexed bonds. Because the inflationary expectation relates to a 10-year average, caution is required. But if the gilt-edged market is correctly signalling an increase in inflation, it is likely that recorded inflation rates will start to rise before

too long. The forecasting record of UK gilts is decidedly mixed. In the

ECONOMIC VIEWPOINT

Calling the bond market bluff

By Samuel Brittan

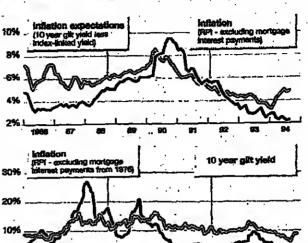
late 1980s, inflationary expectations were above actual inflation, but the gilt market forecast gave no warning of an inflationary boom until that boom had almost burst in 1990. Nor did the gilt-edged market anticipate the steepness of the fall in UK inflation in the early

In earlier years there were no indexed gilts to provide independent evidence of real interest rates. But nominal yields gave little warning of the lax mooetary and fiscal policies of the early 1970s, until 20 per cent-plus inflation was almost upon the UK. Once positive real yields reappeared in the 1930s they gave little clue to the inflation cycle but were inst erratically following

I could not resist looking for comparison at an indicator that does not claim to peer ahead, but which does provide insight into what is actually happening; namely, some measure of total epending in cominai terms. Reflection suggests that the least bad measure is not nominal gross domestic product, but a variant known as domestic expenditure. This has two principal advantages for policy purposes. First, it excludes net exports (that is exports minus imports) and concentrates on domestic monetary flows that national authorities can influence. Second, an objective for domestic expenditure alone will leave room for an improvement in the balance of payments, without baving any specific target

Some economists regard the mixture of real and inflation variables in a domestic expenditure target as a drawback. But from a policy point of view It is an advantage. For it recognises that official monetary policies can only help provide the conditions for non-inflationary growth. How far a given flow of spending translates into more real output and jobs, and how far it is dissipated in price and pay increases, depends on the

for that balance.



Bonds not always best inflation indicator

ections of economic agents such as businesses and trade

The result of plotting domestic expenditure is better than anything that could have been be expected. The third chart, which is a half-yearly moving average, shows that this measure uncannily tracks the course of the 1990 recession, the subsequent recovery and the fact that domestic expenditure is still only growing at just over 5 per cent a

One should avoid a monomanic approach. For instance, the third chart suggests that the UK is on course for a mod-

Domestic expenditure lat current orices Annual % change

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sion and does not on its own support a base-rate increase. But if it is taken in conjunction with material and commodity prices, industrial capaclty surveys and other forward-looking indicators (including bond yields as one indicator among many), there is some justification for the pre-emptive moderate base-rate increase that took place earlier this month.

Precisely because the third chart appears too good to be true, the fourth chart plots the cruder year-on-year domestic expenditure increases over two and a half decades. The fit is still reasonable. It shows, for instance, the quickening pace

of the boom from 1985 onwards, even though the impact was first borne by the balance of payments and the effect on measured inflation did not appear until

Obviously there would be difficulties in practical monitor-ing. National income statistics are published with a lag and are afterwards revised. But they could be improved if there were sufficient Interest; and they can be estimated for recent and current periods where there are still no published figures.

Some defeatists nevertheless suppose that governments and central banks have no alternative hut to follow financialmarket expectations. For instance, forward contracts suggest that the UK base rates will be 7 per cent early next year and will then rise towards 9 per cent

entral banks are not, however, compelled to do what the bond markets appear to be telling them to do. Since the beginning of 1994 world long-term bond yields have risen by 2-3 percentage points. About 1 percentage point rep resents a rise in real interest rates, perhaps reflecting a world capital shortage - which was prematurely diagnosed two or three years ago.

The remainder of the rise in bond yields represents the increased inflation premium. Market opinion here deserves to be taken seriously, but not followed as if it were the word of God. The bond markets may be fighting the last war when they see inflation round every corner. Bondholders end dealers can still be as wrong as economic forecasters finance ministers. Central bankers can and should be prepared to buck the market so long as they realise that, if they are wrong and the mar-kets are vindicated, there will be a high price to pay in lost public standing. This time round central bankers will not be able to make scapegoats of governments or finance minis-

In the end, either bond rates will come down or short-term interest rates will rise to meet them. If the Bundesbank or Bank of England is convinced that bond markets are wrong and inflation will not on everage be much above 2% per cent a year, then they should act on their beliefs - which means doing as little as possible. If they are not so convinced, they should tighten policy until

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Poll is not a blow to Labour

From Mr Paul Richards. Sir, The recent News-night/NOP poll was reported by you with the headline Blow for Labour in economy

poll" (September 27). Polling is not a precise science. Like gazing at tea leaves, much is left to interpretation. The NOP poli reveals, for example, that 57 per cent of the sample believe that personal taxes would either stay the same or go down under a Labour government.

The poll shows that 63 per cent believe that the economy will be either stronger, or

about the same. There is no room for complacency in the Labour camp, of course, but this evidence was collated after the long summer parliamentary recess, before Labour's conference, and only a few weeks after Tony Blair's

election as leader. It is slightly unfair to report "e blow" to Labour's economic credibility wheo there hae been no public platform as yet for Mr Blair's new approach.

As Labour's team begins to tackle the key issues of taxes and spending, the NOP poll shows that Labour is starting from a credible base. After all, even in 1992 Labour gained support from some

unlikely quarters. Paul Richards, 109 Hammersmith Bridge Road, London W6 9DA

Logic in targeting logistics

From Mr Roger J Ireland. Sir, We couldn't agree more with Charles Batchelor's assessment (Survey of Logistics, September 21) that corporations must apply the same cost-control efforts to their logistics operations as they do to their other business functions, if they wish to remain competitive in the 1990s. Just one glitch in the distribution,

inventory or customer delivery networks can mean the loss of

millions of dollar in profits and, perhaps just as important, of customer confidence.

associated with getting our year. Early results from the products to customers have Pathfinder have been equally increased in recent years relative to other costs, we've undertaken what we call a "Pathfinder" project to find more direct pathways to customers and simplify logis-

We've set a target of reducing costs by up to \$80m by 1996. We will do this by applying to our logistics operations the same work process analyses that helped us overhaul our maintenance operations during of customer confidence.

At my company, where costs

the last four years, with expected savings of about \$60m a US

encouraging. By the end of the summer we had identified 26 projects to improve our operations, and have already realised annualised savings of nearly \$5m.

Through this effort we expect to improve loading, scheduling and inventory control and provide better customer service Roger J Ireland,

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project director, Union Carbide Corporation, 39 Old Ridgebury Danbury, CT,

Government creating a PO problem

From Mr Alan Johnson. Sir, Your report that minis-ters are "determined" to go ahead with a 51 per cent share sale of Royal Mail and Parcelforce - thus breaking the link with Post Office Counters must concern those who fear for the future of the nationwide network of post offices ("Ministers determined to sell

Post Office stake", September Nearly all informed opinion, including large mail users, has been that this preferred gov-ernment option does not ade-quately respond to the needs of

post office customers, who must have continued access to some 19,000 outlets nationwide. Central to this is a concern that separating the Post Office

alternative outlets for its products. This will slowly drain Post Office Counters' income, which will in turn force the business to look closely at its 10,000 subsidised sub-post offices. We recently revealed Post Office projections of 1,050 eub-post office closures by 1999.

The government has sought to generate enthusiasm for these plans by guaranteeing the automation of benefit pay-ments in sub-post offices. Auto-mation is welcomed and in urban areas will cut down oo fraud and improve efficiency. What automation cannot do in rural areas is increase the number of customers who go into the local sub-office - there the number of transactions is will allow Royal Mail to seek | certain to decline as Royal

Mail plc moves further away from the separated counters husiness which it currently

supports., The green paper deliberately avoids foresight and imagination. It concentrates on the issue of ownership when it should have proposed a unified Post Office with genuine commercial freedoms to meet the changing needs of customers.

We, like most other interasted organisations, heve argued that ownership of the Post Office was never a problem - the government now intends to make it one. Alan Johnson,

general secretary, Union of Communication Workers, UCW House, Crescent Lane, London SW4

The precise point of Irish interest

From Dr A J McEvoy.

Sir, Joe Rogaly, commenting on the future constitutional arrangement of the "island nation(s)", ("Breakawey Britain", September 23) should start from some minimal precision concerning the present arrangement. Constitutionally, of course, "Britain" does not

In its beginnings, to consolidate the kingdom as it emerged from the Wars of the Roses, England absorbed Wales; there remains a distinction on the rugby field and linguistically. but a uniform legal system is

Later, to secure the Williamite coup and eliminate Jacobite pretensions, Scotland was asso-

ciated with England to form "Great Britain", though some distinctively Scots legal, ecclesiastical and educational struc-

tures survive.

The "United Kingdom" incorporating Ireland finds its origin in the Act of Union, 1801, passed as a security measure during the French Revolutionary and Napoleonic wars. With partition of Ireland and of Ulster, since part of that province is in the Republic of Ireland, Northern Ireland succeeded to the role previously assigned to the whole island. Evidently that union, between Great Britain and Northern ireland, which defines the present United Kingdom lacks the

antiquity, the consensus and

the stability found within Great Britain. And even there, the status of each nation is different.

It is interesting to compare the treatment of Scotland at the present day with that administered to Ireland during the Repeal and Home Rule periods of the 19th century, and speculate on its eventual consequences. Therefore, aslde from the lack of selfish economic and strategic interests in Northern Ireland (Downing Street Declaration), there can be no doubt of London'e constitutional and political interest. A J McEvoy, Centre Universitaire, CH-1015 Lausanne

From Professor D R Myddelton. Sir, Lex ("Deferred tax", September 28) suggests replacing "partial provision" for deferred tax by "full provision", with or without discounting. But if the American etandard is any guide, this could be very complicated. Deferred tax means income

Don't defer

smoothing, which is often frowned on; and it fails to meet the Accounting Standards Board's definition of a liability. A better and simpler approach towards accounting for deferred tax is ... don't. D R Myddelton,

professor of finance and accounting, Cranfield School of Cranfield, Bedford MK43 OAL



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FINANCIAL TIMES

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Thursday September 29 1994

Paying for equality

principles than they are at actuarial science. The attempt to comhine the two can lead to a muddle, as it did yesterday when the Euro-pean Court of Justice pronounced on a number of issues arising in the wake of the Barber case, which involved sex equality in pensions, on which the judgment was handed down in 1990.

Headline reactions are likely to focus on the issue of retrospection. under which part-time employees are entitled to reinstatement in company schemes as far back as 1976. This could cost UK companies up to £10hn on worst case estimates. On closer inspection, however, these costs turn out to be highly hypothetical, though still enough to worry certain financial companies, like banks and insurance companies, which run non-contributory schemes.

The more important consequence of the process of pension fund equalisation is that women are, perversely, rather likely to end up worse off. For instance, the Coloroll pension scheme trustees can now go ahead with paying out equalised benefits, which means that at least in respect of service after May 1990 women will receive slightly less of the available funds. Many other terminated schemes of insolvent companies are in the same position.

Core workers

In many cases pension schemes have never been designed by employers to be "fair", but to create discriminatory incentives intended to be in the interests of tbe company - for instance, to direct extra benefits towards core long-term workers rather than to temporary staff or part-timers. Where such discrimination is based upon sex - but not on other factors - it is now outlawed. But although discrimination against mostly female part-timers may have been a practical consequence of their exclusion, it will never have been explicitly recognised by the employer and may never even

have been intended. Although part-timers excluded from pension schemes are now able to claim retrospective incluslon, the employer will still be able to claim that no sex discrimination was involved and this will bave to be tested in the national

they will find it easy to make their cases stand up.

So the apparent victory of the part-timers may yet prove pyrrhic, but even eo, the principle that employers should be subject to retrospective judgments going back 18 years is obviously unacceptable. So long as employers behaved reasonably in terms of general opinion and practice at the time, they should not be vul-nerable to unpredictable holts from the legalistic hlue. If the European Court continues to behave like this, it will be seen to have increased the risks of doing business in the EU, with little jus-

Retrospective demands

Paradoxically, the original Bar-

ber judgment was implemented without retrospection (only, however, after the separate Ten Oever case in 1993). But part-time workers can now claim 18 years' worth of reinstatement. The difference in treatment depends upon a distinction the European court has drawn between benefits paid hy a scheme and the right to join a scheme in the first place. The latter happened to have been covered hy another judgment in 1986 which in turn related back to the 1976 judgment on the enforceability of Article 119 of the Treaty of Rome, None of this Euro-legalism will make much sense to the average British or German company now faced with costly retrospec tive demands from part-timers.

Similarly, the rigid application of legal principles has led the court to rule out any provision of transitional relief for women who find that the Barber judgment has disadvantaged them. The reason is that the transitional provisions would themselves involve sex discrimination. But this is not the way in which employer/employee relations can be harmoniously conducted.

Nevertheless, the series of rulings published yesterday does at least clarify many previously outstanding issues. That legal constraints should be placed upon pension schemes in order to pro-tect the interests of otherwise vulnerable employees is sound enough in principle. But the European court must find more flexible ways of bandling such detailed and complex commercial problems

An end to the rail strike

Strikes are a no-win proposition in any industry. Once begun, howeven more damaging. ever, the rule for ending them is that everyona must emerge a winner. Yesterday's welcome end to the rail signalworkers' dispute was no exception, with the three main players all claiming victory. In truth, the battle has cost both union and management dear. And the government for its part has no cause for self-congratulation.

For the chairman of Railtrack, the state-owned company that runs British Rail's track and signalling operations, the deal agreed with the signalworkers' union in the early hours of yesterday morning was a "victory for commonsense". For Mr Jimmy Knapp, union leader for the striking signalworkers, it was his members' persistence that had won the day.

The package, like the dispute itself, is complicated enough for each claim to have some merit. In the long term, Railtrack has won most, perhaps, in achieving the much-needed reform of signalworkers' pay and conditions. The workers are receiving less in return than the RMT first lemanded, hut can claim to have delivered, by striking, an 8 per cent rise in average earnings, if only for the current year.

Whatever the immediate tally of gains and losses, the entire industry will suffer the effects of the dispute for years to come. Customers have had four months to discover alternatives to rail transport; demand may never fully

Less appetising

That, and the £200m losses auffered by the rail operating compa-nies, will make rail franchises a considerably less appetising prospect for private investors than pre-

Clearly, things could have been worse. Had the dispute continued into next week, striking signalworkers stood to lose valuable pension rights from October 1 onwards. As far as Railtrack is concerned, restructuring of working practice has always been an essential first step in building a modern and profitable national rail network. Disputes about implementation had already been simmering for seven years: allowing them to boil over later, when in a needlessly privatisation was already in full unpopular strike.

even more damaging.
Yet things could also have gone
far better, had it not been for the government's ill-judged interventions. In fact, the dispute could have ended in early June, when both sides agreed a package, which Railtrack was subsequently forced to retract.

A private company would always have chosen an early end to the dispute, offering larger pay increases and recouping the extra cost with further efficiency gains once employees were back at work. British Rail had not been able to do this. Allowing BR'a successor to strike such a deal at the beginning of the summer would have vividly made the govern-ment's own case for rail privatisa-

Problem-laden

But rather than using it as a test of its rail privatisation plans, the government instead chose to view the affair as a test of its problem-laden approach to constraining public sector pay.

The government claims that the

agreed package for the signalworkers conforms to the two cen-tral requirements which that policy imposes. The 3.7 per cent addition to Railtrack's paybill pays for itself in efficiency gains, while the basic 2.5 per cent pay increase is well within standards set earlier in the year by pay rises in the rest of British Rail and elsewhere in the public sector.

Deals which appeared to deliver much larger "beadline" pay increases to individual workers could not be accepted by the government for fear of the lessons which other public sector workers might draw. But this merely shows how difficult it is for the government to combine its desire to broaden the scope for a more flexible approach to individual public sector pay agreements with the blunt instrument of its threeyear freeze on public sector pay

bills overall. Holding down public sector labour costs is central to the chancellor's medium-term fiscal strategy. The post mortems on this sorry dispute will drag on. But the chancellor has not been helped by being involved, even if indirectly, in a needlessly drawn-out and

or the second time in six months, Crédit Lyonnais, the embattled French banking group, has been forced to call in its owner, the French state, for help. This week, it set aside further heavy provisions against bad debts, reporting a first balf net loss of FFr4.5bn (£540m), proportionately worse than the 1993 annual loss of FFr6.9bn.

Mr Jean Peyrelevade, Crédit Lyonnais chairman, conceded that the millstone of the late 1980s and early 1990s - When the bank had made an uncontrolled plunge into bad property lending, speculative film finance, end high-risk and lowvielding investments in other state companies - was too heavy for the bank to support alone.

Unless huoyed up again by the state, the ship of Crédit Lyonnais would almost certainly sink below the plimsoil line of the internationally agreed solvency ratio of 8 per cent, and would almost equally certainly have great difficulty in rising into profit in the near future.

The new rescue, like the one in March, is likely to be in the form of a further capital injection and extra loan guarantees by the state. Even with this summer a FFr49bn capital increase by the government and other state owned shareholders, the first-half loss has depressed the hank's solvency ratio of shareholder funds to loan commitments to 8.1 per cent, dangerously near the minimum. The state has now agreed that it would recapitalise the bank if the latter incurred eny further loss in the second half of this year. Mr Peyrelevade said.

The chairman said the government had also agreed that, if this year's overall loss threatened to exceed last year's FFra.9hn level. the state would step in to take further had loans and risks off the bank'a halance abeet. In March some FFr40bn in doubtful property loans were put in a special statebacked company, whose potential losses are underwritten by the state to the tune of FFr14bn.

So the French government is already lumbered with a rescue package whose potential cost nearly equals that of the FFr25bn by which it is hoping to cut 1995 budget deficit for the entire country.

In addition, some analysts are still sceptical that Mr Peyrelevade has announced anything like the provisions he will have to make to cover the legacy of the past.

We feel that the process of going through the books by the management is not yet rigorous enough, and the full provisions are not yet reflected in these results," Ms Susan Sternglass of Goldman Sachs said yesterday. With last week'a reports suggesting the bank may need to make further provisions of up to FFr25bn, the government may yet be called on to make up much of the additional shortfall.

Cynics would say that Mr Peyrele-vade has played a game of high-stakes poker with his shareholder, and won handsomely. Certainly, it looked like poker,

Three days before Crédit Lyonnais was initially scheduled to report its first half results. Mr Peyrelevade went to see the French Treasury which was expecting a pro forma meeting with the bank chairman. But he apparently surprised and dismayed the Treasury officials by telling them he could not finalise the bank's accounts, because the need to make vastly higher provisions had just emerged. The new auditors would only certify the accounts if the state promised new help, he added.

After a week of bargaining, the government gave in, and promised the help. Cynics, again, would say that Mr Peyrelevade was exploiting the fact that the French govern-ment could not possibly let the country's biggest bank go under, with a balance aheet of nearly FFr2,000bn, equivalent to a quarter

of its gross domestic product. Precisely the same concerns of systemic risk weigh, too, with those in the European Commission charged with the general task of vetting state aid. They are aware that a crash by Europe's biggest banking network would reverberate

More skeletons in the closet

As the extent of its troubles are revealed. David Buchan and Andrew Jack examine the malaise at Crédit Lyonnais

By value (FFr bri) and perc

Credit Lyonnais: high risk



FNAC (books and record chair UAF (it's insurance) Pinault-Printemps (retailing Méridien hotels 190m appro 6.8bn 3.9 27 international bankin 0.1 -0.6 -1.0 Dutch subsidiary CLBI 21 Banking subsidiaries First helf First half

throughout the EU.

A few French private hanks moaned about state aid last March to Crédit Lyonnais, but they have kept quiet since, aware of how the group's problems have helped drag down their share prices. In contrast to the airline sector, where there is always British Airways to cry foul at aid to Air France, Credit Lyonnais's banking competitors have stayed silent.

But Mr Peyrelevade has his price to pay, too, in personal pride and group assets. This week he conceded "a double error" of judgment

Cynics would say that Pevrelevade has played a game of high-stakes poker with his shareholder,

and won handsomely

when he took over the banking group last November after the disastrous mismanagement of his predecessor, Mr Jean-Yves Haberer. He said he had been wrong in thinking that "the latent risks [arising from the Haberer-era activities] could be absorbed by Crédit Lyonnais's current [banking] profits. But these profits in 1994 look like being FFr2bn less than we estimated". The other error was to think that provisions against these risks could be "staggered", a hope that Mr Peyrelevade said the bank's new audi-

tors had disabused him of. Mr Peyrelevade also talked this week for the first time of selling off parts, admittedly peripheral parts, of his group's core banking empire in addition to the sales of its indus-trial holdings already in train. In

the first seven months of this year, Crédit Lyonnais has shed FFr6.8bn in non-bank assets. Mr Peyrelevade's target of selling FFr20hn of Crédit Lyonnais's FFr50bn indus-trial holdings now looks like a minimum. The smooth withdrawal of such a big investor from the French market will not be easy with France still lacking capitalised pension funds to take up the slack.

But the Crédit Lyonnais affair highlights other structural failings in French banking groups, and in their regulation by the state. Defending himself against the accu-sation that, for tactical reasons, he deliberately kept the government in the dark until the last moment about the bank's persistent prob-Mr Peyrelevade s them [the government] everything

we knew, when we knew it."

He had taken the long-overdue step at the start of this year of instituting a centralised risk-control committee for the Crédit Lyonnais group to ensure better future con-trol. But he is still finding it diffi-cult to keep track of all the past skeletons falling out of the cupboards.

There are some specific reasons for this. One is Altus, a high-risk investment house which is part of the group. Mr Jean-François Henin, who ran Altus from 1990-93, prided himself on the fact that he had multiplied its balance sheet many times over without increasing its staff. The result was a chaotic back office. out of which dubious dossiers are still tumbling. Crédit Lyonnais said this week it was husily engaged in getting out of as many of Altus's

contracts as possible. Another factor is its Société de Banque Occidentale subsidiary's continuing problems with recouping loens made to Mr Bernard

Tapie, the deeply indebted business-

But perhaps the biggest reason for the accelerating clean-out of Crédit Lyonnais is the way in which the bank's branch managers and its new anditors were responding to what Mr Peyrelevade termed "the new climate". They were bringing to the surface all the bad loans and dud investments of the past.

Certainly, the push for more rig-orous control appears to be coming from them rather than from external regulators, like tha Bank of France and its Banking Commission

The push for more rigorous control appears to be coming from below rather than from external regulators

which were criticised by this summer's parliamentary inquiry for being slow in diagnosing and acting on Crédit Lyonnais's problems. Mr Jean-Claude Trichet, the Bank

of France governor, told MPs in May that he had not wanted to present the problem publicly before announcing a solution. He said that the authorities had felt it important "not to announce the fire before revealing the fire extinguisher Mr Trichet said he smelt smoke in September 1992 when he was director of the Treasury. But it was almost a year later before the Bank of France, as the organisation for-

mally responsible for hanking

anpervision, wrote to the govern-

As for the Banking Commission,

ment demanding it rescue its bank.

it said it had started getting suspi-

cious in 1991 after seeing Crédit Lyonnaia's balance sheet increase by 30 per cent over the previous two years, with a 200 per cent rise in industrial holdings. However, the Credit Lyonnais

affair raises doubt about the capacity of the commissioo's 350 staff to keep track of hydra-beaded institutions like Credit Lyonnais with 550 subsidiaries.

The commission put 10 people on to Crédit Lyonnais, atarting with its subsidiaries. But they seem to have hit an information problem with CLBN, the bank's Rotterdam subsidiary which, among other ven-tures, bankrolled the ambitions of some dubious Italian financiers to buy MGM in Hollywood. Such is the legacy of these ventures that they still accounted for a tenth of the new FFr10.1bn provisions announced this week. Credit Lyonnais has now retained the expensive services of Mr Henry Kissinger to help it find a huyer for MGM.

Neither French nor Dutch regula tors will elaborate on their exchanges about CLBN, except that the Dutch central bank sought in 1989, and eventually got, extra guarantees from Crédit Lyonnais in Paris on CLBN loans, while the French banking commission did try to get some information from its

r Jean-Louis Butsch, head of the Banking Commission, implied to the parliamentary inquiry that this was not very satisfactory. It was, he noted, only at the start of 1993, when the European Union's Second Banking Directive came into force, that "professional secrecy vis o vis our EU counter-parts was lifted".

Another effect of that directive bas been to transfer prudential supervision of a bank's branches to its country of origin. But that would not bave helped at CLBN which, as a separately incorporated subsid-

iary, stays under Dutch control. Mr Butsch's team has moved from one troubled subsidiary to another since November 1991, finally advancing on Credit Lyonnais' headquarters on the Boulevard des Italiens a year later for a six-month investiga-tion. Even then, bowever, the 1992-93 deterioration in the economy required them to make return visits to subsidiaries.

In general terms, the Banking Commission still sees no need to change its regulatory procedures. But commercial banking sources said yesterday it might bave to respond to the example set by Crédit Lyonnais's new auditors, by publishing tougher and clearer gen-eral guidelines on provisions for other French banks and their auditors to follow.

Out of Crédit Lyonnais's problems may yet come another useful precedent for other banks to follow. With first-half operating results down by 25 per cent from the same period of 1983, the group appears to have a significant problem in rais-ing profitability on its core banking business. It shares with other French banks working conditions dating from the 1930s. These treat bank employees like civil servants, more or less guaranteeing them progressive promotion and firmly setting their working hours. The managements of the main banks tried to change this in 1989, but their com-mon front against the banking unions crumbled when Mr Haberer's Credit Lyonnais broke ranks.

"Peyrelevade now has the chance to use the shock of Crédit Lyonnais's problems to change our overstaffing and old-fashioned working rules, and to provide better services," said a commercial banker yesterday. In Mr Peyrelevade's quest to reduce operating expenses. most of the headlines have gone to the 1,000 job cuts he is making this year in the group's French network.

But be bas also negotiated a small experiment with his unions to let Crédit Lyonnais branches in Toulouse stay open in the evenings and on Saturday morning. With so much else about Credit Lyonnais that is execrable, this is one area where it may prove exemplary.

the important London market has

dropped from 120,000 to around 26,000. All of which has opened up

an opportunity for London News,

poached BBC presenter Richard Shackleton to launch a nightly The

Business World Tonight. Tune in

the successor to LBC. It has

next Wednesday at 10.30pm.

OBSERVER

Say Hello to Jack's halo

■ Jack Welch, boss of General Electric and patron saint of American management, is under the media microscope. Time, Newsweek and Forbes all ran lengthy pieces on him this week, and Fortune did a job on him a few weeks back. All dealt with the same basic theme: whether the alleged fraudulent trading at GE's broking subsidiary Kidder Peabody, which has cost GE bundreds of millions of dollars, is evidence that Welch's halo has slipped. This week's stories are mostly

anodyne, and bave an air of damage limitation. The earlier Fortune cover story was hard-hitting; it blamed the Kidder case squarely on GE's corporate culture and linked It with earlier examples of corporate wrongdoing. Welch's hard-driving style, the piece implied, might be forcing GE executives to cut

Time, by contrast, interviewed Welch and concluded that he was still basically OK. Forbes did the same and concluded he was absolutely fabulous. Round one to Fortune, round two to GE's media relations people.

in fact, Fortuna's case looks to be based on a false premise: that without Welch, GE would be white as snow. Like many another old-established company, GE has its roots in the days of cartels and

monopolles. A recent book on Welch, Control Your Destiny or Someone Else Will, remarks that when GE lost its first anti-trust lawsuit in 1948 it only got its wrist slapped. "Subsequently," the book says, "some GE middle managers imagined themselves immune to punishment, expecting their bosses to wink at wrongdoing that helped a business grow. Partly as a result, the company was caught many times in illegal actions." Over the years, Welch has done a

great deal to change the GE culture. The job of GE people, he once told shareholders, is "to set and meet aggressive targets - always with unyielding integrity". One more push, perhaps.

Profit honoured Is Luis Angel Rojo tempting fate?

The governor of the Bank of Spain has for the first time put his signature on an issue of Pta1,000 notes. And there, gracing the new green-tinted bills, are the portraits of Hernán Cortes and Francisco Pizarro. The conquistadors of Mexico and Peru respectively were ultimately responsible for flooding the country with gold and silver, thus sapping Spain's 16th century industry and prostrating its economy with soaring price rises. Latin American central bank governors, gathered in Madrid for the IMF's jamboree, were Rojo's guests at a cooference yesterday. As

such, they were undoubtedly too

E00 300 EH

I picked up Tony Blair's ideological baggage cheap at a car boot sale'

polite to enquire why those who had plundered their domestic treasures should be so honoured.

Moor or less

■ After David O'Brien's abrupt departure from National & Provincial Building Society, Leeds Permanent may well be congratulating itself on its lucky escape. The Leeds' doubts about O'Brien's management style which now seem to be shared by the N&P - was one of the rocks on which the planned merger between the two foundered last year.

However, the Leeds mob ought to be careful about crowing at the misfortune of their Bradford rivals. N&P has lost and found a chief executive almost instantaneously, whereas the Leeds is still looking for a permanent successor to Mike Blackburn who escaped across the

Communewealth ■ Life will never be quite the same again in Brick Factory Village or October Banner Soviet Farm Central Village, both in the Moscow

region. For their pastorally-challenged names along with a couple of bundred others - are about to disappear, replaced with something a little more in tune with the times. Like Little Bankrupthampton, perhaps, or Crisisbottom in the doldrums...

Daily dose

■ The state-owned BBC continues to do its bit for the development of commercial radio. A recent triumph has been the moving of the Financial World Tonight from Radio 4 to Radio Five Live at a later 11.45pm time slot. The programme,

which used to be required bed-time listening for City types, had already lost fans when its slot was moved from 11.15pm to 9.45pm. Since its latest move, the

programme's weekly audience in

Incensed

■ Is England's oldest Roman

Catholic school, St Edmund's College, about to exchange its motto - Avita pro Fide, For the Ancient Faith - for a new catchphrase, "Fill 'er Up"? The Hertfordshire school, which

has been providing a catholic education since 1568, is seeking planning permission for a petrol station and roadside cafe next to a proposed by pass for the husy A10 London to Cambridge road. Still, the diversification would fit

in neatly with St Ed's advice to departing pupils: they should "have regard to the welfare of others and be of service in the community".

Red light district

■ The banker could not believe his eyes when an applicant for a personal loan reported that the value of his main residence was "at least £25m". However, the loan was refused on the grounds of the customer's address - HMS Endeavour.



FINANCIAL TIMES

Thursday September 29 1994



Senate committee threat to WTO launch

Clinton challenges US Congress over trade

US president Bill Clinton vesterday threatened to force Congress to pave the way for the new World Trade Organisation, the creation of which was put in jeopardy after US legislative approval ran into serious difficul-

les.
The organisation, a cornerstone of the deal reached last December st the end of the 7-year Uruguay Round of multilateral trade negotiations, was to have come into existence in January

Ensciment of the deal is already delayed in the European Union and Japan. Yesterday, its ratification was threatened hy the decision of the chairman of a powerful US Senate committee to hold it up till the end of the present Congressional session this

The US siministration, weakened by partisan attacks on the president, has made trade a centrepiece of its foreign policy. A defeat of the Uruguay Round of

the General Agreement on Tariffs and Trade deal could be more serious over the long run than the loss of President Clinton's

healthcare legislation. Senator Ernest Hollings, chairman of the Senate Commerce Committee, which has partial jurisdiction over the legislation, said there is "no chance at all" that the Senate will vote on the bill before it adjourns on October

7 for congressional elections.

Delay has long worried other governments and US exporters, who are the most politically significant supporters of the trade agreement. In the current environment of national cynicism, opponents have fanned the flames of protectionism and isola-

Gatt legislation next year could face s more Republican but also more protectionist Congress. Fur-thermore, lawyers say it may be difficult to re-introduce the legislation under the special fast-track rules, which prohibit amend-

grip on

tionist and a long-time defender

of US textile producers, to urge

his co-operation, but apparently

he is planning "a series of hear-togs" which will keep the bill sti-fied in his committee. Under Sen-ate rules, he can hold the bill up

After a long delay to prepare

the implementing legislation, the Clinton administration sent the

package to Congress on Tuesday.

Two House committees immedi-stely cleared the legislation for

The senator has been warning

for months that he planned to take the full 45 days. This would not have been a problem if the legislation bad been submitted

on schedule in the summer. But a

dispute over the budgetary implications brought delay, as did opposition to an administration

request for a new fast-track nego-

The senator said yesterday that

to no svail.

the House floor.

tiating authority.

yet to be explained.

month.

Mr Ruiz, a graduate of Essex

University in the UK, had been

named as a negotiator for Mr

Zedillo in talks over political

reform expected to begin next

At the breakfast Mr Ruiz

explained to new PRI deputies

the framework of both national

political reform and internal

reform of the ruling party, an

outline of which had been

announced the previous after-

under one name or another for 65

years. Presidents since the 1960s

reform of the party but they

have usually backed down in

have, like Mr Zedillo, pledged

The PRI has ruled Mexico

The Central Committee docu-

The resolution reflected growing concern about a weakening of central control and a crumbling of communist authority, especially in rural areas where

300 Central Committee members since last year, coincides with growing worries about rising prices and social unrest.

has fuelled worries about the assert its authority.

The Central Committee docu-

of the difficulties of ma the transition from a centrally planned system to a market sys-

"Our country is chrrently undergoing extensive and profound social changes, and this requires our party to do better in upholding and improving demo-cratic centralism," the statement said. It was "necessary to safeguard central anthority, and

Ruling party aims to tighten China

organisation, has approved s plan aimed at bolstering its hold on power at a sensitive period in the transition to a new genera-

ment emphasised the role of President Jiang Zemin at the "core" of the leadership and as successor to Deng Xiaoping, China's 90-year-old senior leader.

The country's rulers stressed wide stands at about 40m.

The four-day plenary session of the 14th Central Committee concluded just three days before China celebrates, on October 1, the 45th anniversary of the revolution. It coincided with persis-tent reports of Mr Deng's failing

China's leadership has been in transition for the past two years. The expected demise of Mr Deng ability of a new generation to

ment referred to "all the hazards" the party was encountering in the new phase.

This was an acknowledgment

China's leaders, in their call for a reinvigoration of central authority, revealed deep-seated concerns about emergent regionalism with the growth of powerful provincial interests and a corresponding loss of authority in Beiling.

line, principles and policies". The Central Committee called for a renewed campaign against

ment. Mr Hollings will be pressed by Mr Clinton has met Senator colleagues to drop his opposition. Killing of politician shatters Mexico's post-election peace

By Ted Bardacke in Mexico City

The secretary-general of Mexico's ruling party, Mr José Francisco Ruiz Massieu, was shot dead in the centre of Mexico City yester-day, shattering the fragile politi-cal peace following last month's residential elections.

The attack came just over six

months after the party's presidential candidate, Luis Donaldo Coloslo, was shot dead in Tiinana.

Mr Ruiz, the number two figure in the Institutional Revolutionary party (PRD and former governor of the state of Guerrero, was last week named as head of the PRI's majority delegation in the Chamber of Deputies, the lower house of congress. He was also said to have been in the running charge of internal security and behind Mr Colosio's death have

Mr Ruiz, 43, was shot in the neck as he drove away from a breakfast meeting with PRI depu-ties. The assailant, who witnesses was not immediately disclosed.

hours of trading, the stock exchange was down 2.4 per cent. country that more political vio-lence might follow Mr Coloslo's

His replacement, Mr Ernesto

said was armed with a 9mm semi-automatic weapon, is being beld by federal agents. His identity

Mexican financial markets fell sharply on the news. After three

There had been concern in the murder, the first assassination of a senior government figure in Mexico since the 1920s.

Zedillo, won the August 21 election, despite continuing public

the face of strong internal opposito become interior minister, in frustration that the motives tion.

in Japan of 2.9 per cent this year

pean Union's unemployment rate to an average of 11.5 per cent

Mr Mussa yesterday also praised this month's increase in UK bank base rates to 5.75 per cent from 5.25 per cent as a "highly desirable initial step to contain future growth of infla-

tionary pressure right to give priority to control-ling public expenditure before tion of leaders.

unrest has become common. China's leadership session, the first meeting of the more than

the need to strengthen "grassroots organisations". This indi-cated recognition of the party's poor standing among rural dwellers who account for about 80 per cent of the population of 1.2bn. Party membership nation-

"The party's grass roots organisations are the foundations of the party's operations and its combat effectiveness," the docu-

forcefully implement the party's

By Tony Walker in Beijing China's ruling Communist party, the world's largest political

doubts have been behind the bid speculation that has driven up its share price by 32 per cent since April. Well-come is only the 24th largest drugs group in what is clearly an over-frag-mented industry. Within three years it will have to face the US patent expiry of Zovirax, its higgest selling medi-cine. And its ability to launch new products to compensate for Zovirax is in doubt three drugs have dropped

out of the pipeline in recent months. Such arguments are not compelling. Wellcome controls a commanding position in the fast-growing anti-viral segment. Because of its near monopoly, the group is almost wholly protected from the recent changes in the US market. The company also has an impressive strategy for generating non-prescription revenues from Zovirax after patent expiry. Finally, there are enough promising products in the pipeline to carry the group forward after 1997. Competitors may well look on with envy. Investors, disillusioned by the 18 per cent fall in the share price since the 1992 share issue, should show more patience.

US bonds

It is difficult to see why the US bond market should have been in a positive mood yesterday. The Federal Reserve's decision not to raise interest rates on Tuesday night cannot be more than a temporary reprieve. Yesterday's durable goods data may have been distorted by the auto and aircraft sectors, but they still show underlying strength in manufacturing. On the most pessimistic reading, the Fed is now dithering while the economy strides ahead. There cannot be much comfort for the bond markets in that.

One explanation for yesterday's gains is that the market now believes in a trade deal between Japan and the US which will remove the threat of sanctions and allow the yen to fall. A weaker yen would be good news for

THE LEX COLUMN

Wellcome wobbles

FT-SE Index: 3087.7 (+30.2)

The US Food and Drug Administration's warning letter to Wellcome about manufacturing trigwencome about manufacturing trig-gered painful memories of the crisis that engulfed Fisons. However, Well-come's FDA-related difficulties appear far less perilous. And, unlike Fisons, it could supply products from elsewhere if forced to halt US production. There Wellcome Share price relative to the FT-SE-A All-Share Index are doubts about Wellcome, but complying with manufacturing standards s among the least of them. The most important question hanging over the company is whether it has a viable independent future. Such

> Mar 1992 Cac FT Graphite bond markets everywhere because it would encourage Japanese institutions to step up their investment abroad. But for the time being, this scenario smacks of wishful thinking. There would be a much greater chance of a weaker yen and a robust Japanese recovery if the Bank of Japan were to

cut interest rates aggressively. The chances are therefore that the bond markets will soon revert to their old anxieties about the Fed's intentions. The question is now one of timing. A welter of data in the second week of October will shed fresh light on employment, capacity use and inflation. The Fed will then be under pressure again to show its muscle. As before, s small increase would simply leave the markets worrying about more rises to come. A large increase which signalled the end of the tightening process would be the only real

Metallgesellschaft

Metallgesellschaft has developed into the O.J. Simpson saga of the German corporate world, with each new lurid development subject to fascinated media attention. Damaging headlines this week include a clash with a Nobel prize-winning economist over the handling of last year's deriva-tives crisis and a sharp profits down-grading from Deutsche Bank's research arm. The shares revived yesterday but at DM134 they have fallen by more than a third since the beginning of the month.

This performance reflects profound doubts about the pace of MG's recovery. Nine months after his appointment as chief executive, Mr Kajo Neu-

kirchen is still fire-fighting. Recent deals, notably the unscrambling of MG's bizarre ties to Castle Energy Corporation in the US and the sale of the group's mining operations, have capped potential liabilities and raised cash. But, as the group hinted earlier this month, a fresh injection of equity capital is likely to be required before

That is not the only concern. What is left after the succession of disposais in the past nine months is an unexciting collection of low-margin businesses, in sectors such as metals smelting, trading, plant engineering and specialty chemicals. The modest returns will hardly allow a speedy restoration of the dividend, especially given the need for further rationalisation in smelting. It is small wonder investors are losing patience.

Alcatel Alsthom

The news at Alcatel Alsthom goes from bad to worse. Not only were net profits for the first balf of 1994 a third lower than in the first balf of 1993; the group expects second-half profits to stay at the same depressed level. This means full-year profits will be down 40 per cent or more - much worse than the 10-20 per cent decline forecast by the group in January.

The problems are in telecoms equipment, particularly in Germany. Deut-sche Telekom, which in the past has been an easy source of profits for Alcatel, is driving harder bargains with suppliers as it prepares for privatisation. Capital expenditure is being reined in and margins are being squeezed. The snag is that margin pressure is not confined to Germany. It is only a matter of time before other large Alcatel customers such as France Télécom and Telecom Italia demand similar price cuts. As competition spreads through the telecoms services market, operators can no longer afford to feather-bed their sup-

The long-term prospects are not all bleak. Alcatel has a good position in broad-band technology, which should prove a growth market as the race to build multimedia superhighways gathers pace. It has also gained a leading position in China, another fast-grow ing market. But China is a fiercely competitive market with slim margins. Moreover, despite recent cost cutting, Alcatel's organisation remains bloated. The group's shares, which have dropped 37 per cent from their January peak, still look overvalued.

Ferry sinks

Continued from Page 1

vessel foundered. "On the TV monitor in the machine room, we could see water rushing in on the car deck," he told reporters.

Two Swedish maritime inspectors in Tallinn on Tuesday said the rubber seals around the bow doors were partly damaged, but not to a dangerous degree. They were not formally inspecting the vessel, but said last night that if they had thought the equipment was dangerous condition, they would have raised the alarm. The stricken vessel sailed under the Estonian flag.

Europe today

Five-day forecast

direct cold air south from the arctic. Scandinavia will remain quite cold with inland frost during the night. Temperatures will also

general, cloud will be mixed with sun and

Low pressure systems over the northern

Russia, A frontal disturbance will general

area into Russia. Scandinavia will be

IMF lifts growth forecasts

next year from 11.8 per cent this This compares with forecast unemployment of 6.3 per cent in the US and forecast jobless rates

and 3 per cent in 1995.

With recovery seemingly well established, the IMF is urging governments to learn from the

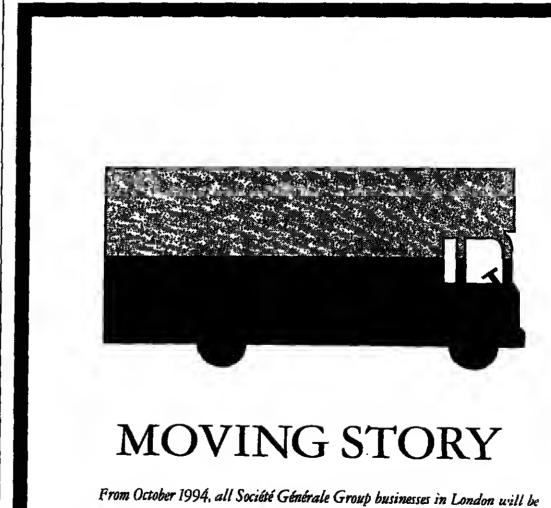
promptly to curh inflationary Continued from Page 1 pressures. In particular, it is rec-April. However, the IMF's ecoommending that countries raise nomic outlook document projects interest rates in advance of only a small decline in the Euroactual increases in inflation to ensure a lasting recovery.

He said Mr Kenneth Clarke, the chancellor of the exchequer, was

considering tax cuts. errors of the 1980s and act FT WEATHER GUIDE Atlantic and northern Europe will cause windy and unsettled conditions from the North Sea particularly chilly with rain along the Norwegian coast and wintry showers near the North Cape. Strong winds and showers will persist over Lapland. Finland and north-west rain over Scotland. Denmark, northern Poland and the Baltic states. High pressure near Brittany will promote light winds and cloud alternating with sunny spells over France and the Alpine countries. Thurder showers will affect much of eastern Spain and southern France. It will continue sunny and warm from Italy to Turkey with just the odd shower in High pressure from Iceland to the UK and low pressure over the far north of Europe with

Wind speed in KPH

continental Europe will stay mainly dry. Faro
Frankfurt
Geneva
Gibrattar
Glasgow
Hamburg
Holosinki
Hong Kong
Nonolulu
Istanbul
Jakarta
Jartery
Karachi
Kuweit
L Angeles 21 77 99 77 39 12 35 31 32 11 12 12 25 33 21 22 27 13 20 15 20 Rangoon
Rayldavlik
Rio
Rome
S. Friseo
Seoul
Singapore
Stockholm
Strasbour
Sydney
Tangier
Tel Aviv
Tokyo
Toronto
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Venice
Warsaw
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Wellingtor
Wirmipeg
Zurich 32 6 22 7 22 23 3 1 1 24 1 7 22 31 22 16 16 24 22 17 22 14 14 20 shower
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shower
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fair Accra Algiers Amsten Athens Atlanta B. Aires B.ham Bangkok Barcelon More and more experienced travellers make us their first choice. Lufthansa



located in our offices in Exchange House in Broadgate. The move brings our banking operations together with our teams in UK and Continental equities, international bonds, futures and options, corporate

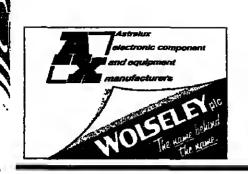
broking, M & A and private client stockbroking, The move reflects and reinforces our commitment to provide a responsive, effective and coordinated service to our UK and international clients,

So for us and for our customers, our moving story has a happy ending.



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and a healthier life



COMPANIES & MARKETS

OTHE FINANCIAL TIMES LIMITED 1994

Thursday September 29 1994

IN BRIEF

Unichem eyes big time with cash call

UniChem, the acquisitive pharmaceuticals retailer and wholesaler, yesterday announced a £58.4m t\$92.3m) rights issue to underpin its expansion as one of Britain's largest suppliers of healthcare prod-

N&P's chief executive quits post Mr David O'Brien resigned as chief executive of the UK's National & Provincial Building Society yesterdsy, after the board said it wanted to replace him with the society's finance director. Page 18

Wellcome shares fall on FDA warning Wellcome, the UK drug company, has been criticised by the Food and Drug Administration, which controls the sale of prescription medicines in the US, for manufacturing shortcomings in its main North American plant. Page 18

Provisions cut and loan losses boister BCI Net profit at Banca Commerciale Italiana edged up in the first half of 1994 to L151.3bn (\$96.5m), against L149.1bn in the equivalent period, as the bank struggled against difficult trading conditions and narrowing interest margins. Page 20

Lean times spoil free lunch on Wall St Lehman Brothers has announced a review of its "meal-compensation programme" - meaning the securities house has decided it would no longer provide free lunches to its 1,500 sales and trading staff.

NatWest to invest In Indian venture bank National Westminster Bank is to invest about £10m (\$15.8m) in a newly-formed joint venture Indian bank. It is the latest move by an international financial services group to take advantage of India's economic liberalisation programme. Page 21

Japanese warrants are down, but not out Symptoms of an ailing Japanese equity warrant market abound. However, most market participants say the market is suffering only a temporary malaise. Page 21

US flotation lifts Jefferson Smurfit Jefferson Smurfit Group, the Dublin based paper and packaging company, reported a surge in interim pre-tax profits, from I£50.7m to I£251.6m (£248.6m), thanks to the flotation of Jefferson Smurfit Corporation in the US. Page 23

Cattle's to buy consumer credit provider Cattle's is to expand its consumer credit operations with the acquisition of Welcome Group from London and Manchester, the financial services company, for a consideration of up to £27.4m. Page 23

Weinberg to head 'vulture' fund

Sir Mark Weinberg, one of the leading figures in the UK life industry, is to chair a new company with £100m capital to acquire life companies, close them to new business and manage their existing funds. The company is to be a joint venture with New York Life Worldwide. Page 24

Beazer sales rise helps lift shares 6% The share price of Beazer Homes rose by more than 6 per cent to 131p after the UK bousebuilder

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Chief price changes yesterday

Rises				Picos			
Altana	640	+	7.5	Bouyguts	589	+	14
Milestechfi.	130	+	11.5	Cred Not	387	+	125
Schering	964.5	+	17.5	TAMH	887	+	35
Falls	•••			OFB Locab	390	٠	13
Did Werke	150	-	10.5	ralis			
Pursche	669	_	11	Benc Como	499	-	16
Sud Charpie	520	-	15	immobanque	730	-	14
NEW YORK	(S)			TOKYO (Yen)			
Risea	***			Rises			
Caterpiller	55%	+	214	Ande Cons	625	+	12
Decre	69%		14	Asics Corp	418	+	18
Eaton	47%		1	Heanko	644	+	19
Geo Stores	33%		2	Mix Belting	615	+	42
Fatis				Falls			
MascuTecti	11%	-	1%	Mercian	676	-	21
CBS	334%		97	Magasaldya	612	-	31
New York po	ices at	12.3	Opm.				
LONDON (PA	ence)			Calle			

LES	33478	-	2/1	unfermie	GIL	_	٠.
New York pri	ces at	123	Opm.				
LONDON (Po	nce)			Falls			
BBA	185	+	7	Bury Street	136	-	В
Badgerine	119	+	5	Cattle's (Has)	135	_	7
Beazer Homes	131	+	8	Clinical Comp	78	_	
Bristol Scette	200	+	20	Enterprise Comp	332	_	ň
British Stock	17135	+	6			-	- 12
Chilitera Raqio	743	+	15	Gearfold	114	-	8
DCS	68	+	8	Macro 4	438	-	17
Frogmare Est	444	٠	25	Radiotrust	69	_	12
MR Data Moment	135	+	6	Signet	28%	_	3%
Seactronic	27	+	4				13
Storeink	207	+	14	Smith New Court	387	•	
Smurfit (Jeff)	421	+	21	Transfec	45	-	9
Share (Date)	200		40	Interest	228	_	22

Chemical takes hard line on loan terms

US bank prepared to lose market dominance rather than relax covenants

Chemical Banking is prepared to

lose its dominance of the US syndicated loans market rather than giving in to the pressure for looser terms, according to Mr Walter Shipley, the bank's chairman and chief executive.

Mr Shipley said in an interview with the Financial Times that he had become so worried at the deterioration in loan covenants in the world's biggest syndicated loan market that Chemical might take strong measures.

He said this would include refusing to underwrite and lead manage loan syndications where Chemical helieved that covenants the financial ratios to which horrowing companies must adhere - did not provide enough

Margins on loans have nar-rowed sharply this year as banks have competed to lend. Mr Shipley said Chemical was prepared to tolerate lower returns, but that it was not prepared to compromise over covenants. He said that although there

had heen "some worrisome migration south" in margins this year, he was primarily concerned at the "rapid deterioration in terms and conditions" attached to syndicated loans.

"It seems like the hanking industry has a very short memory of the recent pest, and we are prepared to see our market lead-

ership position go away rather than chase down that path", he said in an interview in London.

Mr Shipley said he was primarily concerned to protect Chemical's reputation as a high-quality underwriter. "It is a question of being firm and disciplined, and if we lose transactions, then that is banking", he said.

Although a number of senior bankers have expressed concern at conditions in both the US and European syndicated loan markets, Chemical's strength is such that it could give a decisive lead to other banks.

Chemical has established a dominant position in US syndi-cated loans since the 1991 merger

of Chemical Bank and Manufacturers Hanover, and the bank itself describes lending as the

backbone" of its product range. In the first quarter of this year, Chemical syndicated \$53.3bn of loans around the world, compared with \$40.7hn of syndications by Citicorp and \$38.6bn hy J.P. Morgan, according to inter-national Financing Review.

Mr James Lee, Chemical's senior managing director in charge of syndicated lending, has become a leading figure in the market, with other hanks describing Chemical as setting some of the most aggressive

Chemical has just set a new

Alcatel Aisthorn

Share price relative to the

European benchmark with an Ecu6bn five-year facility for the kingdom of Spain at 4.5 hasis points (hundredths of a percentage point) over the London Interbank offered rate (Libor). The re-entry of smaller Jopa-nese banks to international syn-

dicated loan markets has brought comparisons with conditions in the late 1980s, when loan margins went down sharply as banks competed for business.

Banking regulators have

started to warn of the dangers of deteriorating loan covenants as banks faced with weak demand for loans have competed for husiness in order to find a use for growing levels of capital.



Alcatel Alsthom warns of sharp fall in profits

By John Ridding in Paris

Losses at its German operations and difficulties in Brazil and Turkey, yesterday prompted Alcatel Alsthom, the French engineering, transport and telecoms group to warn of a sharp fall in full year profits to about FFr4hn (\$757m), compared with FF17.06bn in 1993. Mr Pierre Suard, chairman,

said the forecast confirmed his warning that 1994 would be a difficult year. But the expected decline is steeper than tha 10 to 20 per cent fall in net profits which he predicted in January. Announcing first-half profits of FFr2.02hn, a fall of 33 per cent on the first six months of 1993, Mr Suard said the second-half would be similar for three reasons. The downturn in Germany had

proved worse than had been

cent and losses of about Ecu200m (\$248m). SEL is responding by restructuring and implementing job cuts which will reduce the 20,000 workforce by about 20 per cent by the end of 1995.

key are each expected to suffer exceptional losses of about FFr300m this year. In both countries, government austerity programmes had depressed demand, while rising inflation had cut the value of contracts.

Operations in Brazil and Tur-

Mr Suard said 1994 was likely to be the low point of the group's fortunes and forecast an improvement in results in 1995, citing several positive factors. The com-

demand and prices at SEL, its German subsidiary, should result in a fall in sales of about 20 per that Alcatel Network Systems ern Germany, in the US, he said that Alcatel Network Systems had won significant broadband and switching equipment con-tracts with US telecoms groups such as Pacific Bell and Bell Atlantic.

> The sharp fall in profits comes at a sensitive time. Mr Suard is one of a number of French business leaders to have been investigated in cases of alleged corruption, while his group is also engaged in a fierce contest to win France's third mobile telecoms

Mr Suard said Alcatel and its principal partners, Stet of Italy and Société Générale of France, had the financial resources necessary for the investment in the pany had won more than 40 per network, which is estimated at 100

about FFriobn over the next few years. He said working capital generated by the group was rela-tively unaffected by the decline in profits and should be about FFr12hn for the year, compared with FFr13.6bn in 1993.

The sensitivity of the contract, which pits Alcatel against Bouy-gues, the construction group, and Lyonnaise des Banx, the utilities company, has delayed the

market.

Campari deal for BolsWessanen

By Ronald van de Krol in Amsterdam and Andrew Hill

BolsWessanen, the Dutch food and beverages group, is to take a stake of at least 33 per cent in Davide Camparl-Milano, the maker of Campari, one of the few remaining independent international drinks brands.

The Dutch company agreed yesterday to transfer its Italian brands and production facilities to Campari for at least one third of the privately-owned company, a stake worth about L500hn-L600bn (\$321m-\$386m).

include Crodino, a leading non-al- yesterday. kling wines, vermouth and mineral waters, generating annual turnover equivalent to Fi 370m (\$210m). Campari, producer of Bitter Campari, Campari Soda and Campari Cordial, had worldwide sales of Fl 450m in 1993.

The alliance between BolsWessanen and Campari is aimed first at the stalian market, but should he a springboard for international co-operation in the near future. "The distribution networks of the both companies are complementary on a world-

Campari's private owners were initially raluctant to give up shares in the group, which have been held by the Campari family since 1860. The deal is dependent on

approval from Italy'a anti-trust authorities. If the transaction goes ahead as planned in late 1994 or January 1995, the two partners will control 20 per cent of the hitters sector of the Italian spirits market.

The exact size of BolsWessanen's Campari stake is still to be determined, but it is unlikely to

BolsWessanen's Italian brands, wide basis," the companies said he more than a few percentage points higher than 33 per cent, a

company spokesman said. Campari and BolsWessanen have also given each other the right to first refusal if either decides to sell its shares in the company, and BolsWessanen will he represented on the Italian

company's hoard. A downturn in results in Italy due to poor spring weather was one of the factors behind a 7.9 per cent decline in BolsWessanen's first-balf results. BolsWessanen said profits in Italy will rise from 1996 onwards hecause of the agreement with Campari.

Axa to take majority control of Equitable

By Richard Waters in New York

Axa, the French insurance group, is to take majority control of Equitable, the US life insurer, by the end of this year.

News of the move comes shortly after the September 19 expiry of a standstill agreement between the two companies. Under it, Axa had been limited

to a 49 per cent interest acquired in 1992. The deal will take the French group's stake in the US insurer to 60.1 per cent, and beralds the culmination of an ambitious move by Mr Claude Bébéar, Axa's chairman, to eoter the US life insurance and investment

The 49 per cent interest was acquired for \$600m at a time when Equitable was struggling under the weight of underperforming junk hond and real estate investments, and is worth about \$1.4hn.

Axa has injected \$1bn into Equitable, some in the form of business bas expanded. It bas preference shares, as part of a rescue plan for the US insurer Subject to the approval of Equitable shareholders, the preference shares will be converted into ordinary stock some time before the end of the year, the US insurer said late on Tuesday.

The deal effectively brings for-ward Axa's assumption of full control over the US group. Part of the preference stock was due to convert into ordinary shares next July.

The timing of the deal could

point to a further injection of capital hy Equitable into its core US life insurance subsidiary before the end of this year. At the end of 1993, the US life company had a regulatory capital ratio of 125 per cent, considerably lower than its main competitors, due

largely to its real estate holdings.
The planned changes to Equitable's capital structure would strengthen its balance sheet and cashflow, said Mr Richard Jenrette. One of his first actions as chairman of the US group had been to negotiate the original deal with Axa.

Equitable said it planned to file a shelf registration for \$300m of deht, a move which would add to its cash resources and increase its ability to inject capital into

the life husiness. Aside from the need to bring its regulatory capital position closer to the level of its competi-tors, Equitable's demand for additional capital has grown as its been one of the most successful US insurers in the variable life and annuities husiness, one of the fastest growing parts of the personal investment market

At \$19%, up \$14 during the morning yesterday. Equitable's shares are trading a third below their peak late last year. US interest rate rises since then have raised concerns about earnings at Donaldson Lufkin & Jenrette, Equitable's securities arm, and Alliance Capital, its investment management group.

Self-styled 'blue chips' want wider access to capital

cases up to 600 per cent.

funds have

seen some

spectacular

returns

"A lot of negatives come out of

Russia. People like to dwell on

scandals but there is a whole lot

of brass among the muck," says

Mr Richard Chenevix-Trench,

head of emerging markets at Bar-

ings Asset Management, which is

planning to launch a \$100-\$200m

fund for institutions next month.

Investors, however must con-

front a series of problems and

some unusual risks. Most trading

is over the counter. Price trans-

parency is poor and insider trad-

ing is common. According to CA,

The quality of information at

many companies is often weak

with been Russian managers fre-

quently reluctant to give infor-

mation or meet demands linked

the government has only recently begun to address the issue of sec-

uring property rights.

to due diligence.

crime and the pyramid selling

Senior managers of five of The Russians are coming – seeking western investors

chip companies will today address institutional investors in London as part of a plan to attract more European and US capital to the country's growing equity market. Russia's newly listed companies are already attracting at least \$500m a month from foreign investors, with numbers rising sharply in the last few months after share price rises. Some of the biggest companies are now seeking to improve their

hy issuing glohal depositary receipts (GDRs) during 1995. The five companies are part of the London "roadshow" organ-ised hy Moscow-based CA, a hrokerage house founded in Novemher 1990, one of the largest market makers in Russian

access to international markets

 Unified Energy System of Rusaia, an energy company which controls more than 90 per cent of power generation and transmission and incorporates 69 regional utilities, powerlines and other systems, is one of the largest. Established as a joint stock company in December 1992, its shares during the course of the year. Western investors are already

estimated by CA to own 16 per cent of Unified Energy.

• Foreign investors also own a large chunk - an estimated 6 per cent - of Norilsk Nickel, a mining company which produces about a fifth of the world's output of nickel and of cobalt. Some 11.5 per cent of the company's shares have already been sold and a further 10 per cent to 15 per cent may be sold in the next

• The Siberian Far East Oil Company (Sidanko) has grown to be the largest oil company in Russia and second only to Lukoil in Russia although it was only established in May 1994. The Russian government is preparing to privatise Transneft.

which controls 100 per cent of the

Almazy Rossii-Sakha, which

Russia's oil pipelines

controls Russia's largest diamond mine in Russia, has been a joint when it comes to detailed accounts, things are much hazier", says Mr Chenevix Trench. "Valuing these compa stock company since May 1991. Over the past few months investors, including a range of nies can be very difficult."

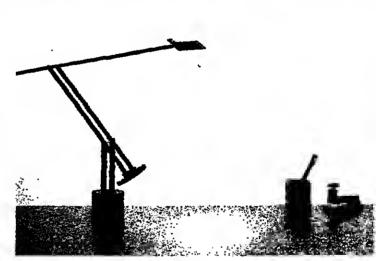
specialist funds launched by US The fact that privatisation was rapid in Russia means that and UK institutions, seen some spectacular returns, in some employees and managers often directly own large chunks of equity, minimising the extent to which shareholders can influence US and UK the direction of the company. In particular these "worker-man-ager alliances" are able to secure continued government funding, given their responsibility for social services.

Part of the legacy of the Soviet era, is that many medium and large firms remain responsible for the provision of hospitals, schools and kindergartens for their workers. Firms continue to carry out these functions despite privatisation. Vague notions of social responsibilities are one reason why many assets are valued so cheaply.

Russian companies are now beginning to look heyond the short term. A number of banks are already planning GDR issues for early next year and utility companies could follow suit in

Mr Victor Tokarenko, managing director of CA, says: "We are now ready for partnership with Western firms, not only speculative investment, but strategic investment which is part of a long-term investment policy. We are here to focus on investors interested in normal profit."

Richard Lapper and "In many cases we know the husinesses of companies hut Liam Halligan

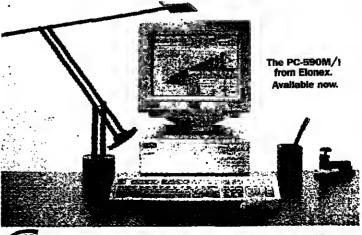


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INTERNATIONAL COMPANIES AND FINANCE

FDA finds

Wellcome's

fault with

US plant

By Daniel Green in London

Wellcome, tha UK drug

company, has been criticised

by the Food and Drug Admin-

istration, which controls the

sale of prescription medicines

in the US, for manufacturing

shortcomings in its main US

The shares fell 19p to 659p

Czechs to reopen petroleum talks

By Vincent Boland in Pracue

The Czech government is to reopen talks with four international oil groups on the future of the country's petroleum industry, breaking months of deadlock over the role of foreign inveatment in the

Mr Vladimir Dlouhy, the Czech trade and industry minister, said the government is to "create conditions for exclnsive negotiations" between Shell, Conoco, Agip and Total and the Czech Republic's two oil refineries, Chemopetrol Litvinov and Kaocuk Kralupy.

If the negotiations are successful it will be an important breakthrough for foreign companies seeking to invest in the country.

Opposition to foreign participation in the petroleum sector has come especially from Chemapol, a monopoly importer of Russian oil, which tabled a rival proposal for the industry and whose future could be under threat if the foreign oil groups agree terms with the

Mr Dlouhy said the "basic conditions and criteria" for the oegotiations would be announced by October 15 and would require approval

by the council of ministers. The talks are expected to lead to agreement on a \$700m investment package for the ndustry.

Representatives of the four companies, which have been in negotiations with the government for more than two years, described the announcement as "a substantial breakthrough" in their attempts to invest in the industry, which is estimated to need up to \$1bn to bring it up to international

The four companies have offered \$180m for a 49 per cent atake in the two refineries, which process most of the

ments using supplies of Rus-

They have also pledged to spend a further \$520m on a five-year investment programme of modernisation and environmental enhancement.

The announcement appears to be a victory for Mr Dlouhy and the privatisation minister, Mr Jiri Skalicky, who have argued strongly for foreign participation in the sector in opposition to ministers, including the prime minister, Mr Vaclav Klaus, who favour keeping the oil refining and petrochemical divisions of the industry

in spite of Wellcome's assurances that the FDA's concerns were "fully addressed" at a meeting between it and the FDA earlier this month. It said the warning referred to the monitoring of manufacturing processes rather than to products themselves. In recent years, German The warning also excluded

the manufacture of pills, which make up most of the company's sales and "probably more than 90 per cent" of the output of Zovirax, its top-sell-ing anti-viral drug. FDA conducts lightning

inspection of all manufacturing plants licensed to make drugs for sale in the US. Warning letters are not especially unusual, but Wellcome has not received any since 1979.

Wellcome's plant in Green ville, North Carolina, is one of only two that makes virtually all the active ingredients in Wellcome's medicines. The

other plant is in the UK. It said following the meeting with the FDA it "put in place immediate corrective measures. We are currently in talks with the FDA to develop a long term strategy to ensure that standards are maintained.

Lex. Page 16 New finance director, Page 12

Condom range from Benetton

maker, will enter the international condom market by launching a new line of condoms in Japan, AP-DJ reports from Milan.

company Okamato Industries. credit group.

Escom to form alliance with Siemens Nixdorf

By Christopher Parkes in Frankfurt

Escom, one of Germany's fastest-growing personal computer companies, is to team up with Siemens Nixdorf (SNI), the loss-making information technology arm of the Siemens

SNI will buy a 10 per cent stake in Escom during a rights issue due in November, and make between 80 per cent and 90 per cent of the smaller company's PCs and notebooks, according to Mr Helmut Jost, Escom sales director.
"At the bottom line, we will

be left to concentrate oo sales and marketing, which has always been our main goal," Mr Jost said. The company had been obliged to manufacture its own products in order to maintain quality and reliabls supplies to stores which turn over their stock 1.3 times a month.

The group, which last year sold 300,000 PCs and laptops, virtually all under its own name, has more than 250 Escom Office retail outlets about half in Germany - was also negotiating a distribution agreement with the Otto Versand mail order group, Mr Jost confirmed. But it was reviewing other potential partner-ships and franchise deals to

Although Mr Jost could not rule out SNI increasing its holding, he stressed the 10 per cent level was fixed to ensure Escom could maintain an arm's length relationship.

"We want to keep control of operations and stay fast and flexible," he said. Many of SNI's early problems stemmed from a culture clash between the conservatism of the Slemens group and the entrepre-neurial Nixdorf management. Losses have piled up since the 1990 merger, although restruct-uring helped reduce the SNI deficit to DM419m (\$272m) last

year oo sales of DM12bn. Escom, aiming for sales of DM1.55bn and about DM30m profits this year, is Germany's second-largest PC retailer after Vobis, and last year had an 8 per cent volume share of the domestic market

The aim of the company's founder. Mr Manfred Schmitt. wbo will retain a majority stake after the rights issue, is to win a 10 per cent to 15 per cent stake in the European market, According to Mr Jost, this has become more realistic now the company could concentrate on selling. "We went into the Netherlands last year and became number one within nine months," be said.

Speed and quality were the keys to success, and quality was now assured by the Siemens link. "We are in the fresh vegetable business: you can't make a PC and stick it in a warehouse for two weeks," said Mr Jost. "We count on three weeks - maximum four - from concept stage to store

delivery. Escom's sales have increased at an annual average of 80 per cent since it was founded in 1989, but its enthusiasm out-stripped its ability to finance its ambitions from its resources.

Following last year's reversal into a stock exchange quo tation via the takeover of the Hako photo and video group, Escom's debts rose to DM251m from DM56m.

Six months ago, Mr Karl-Michael Eickmeyer, finance director, said: "Escom is gasping for capital."

Although the company had no problems with its banks, Mr Jost said, be admitted the Siemens tie-up would make life easier in financial circles.

The link with SNI may free Escom's hand in its search for marketing partners. Although Otto Versand remains keen. Mr Jost is not sure computers-by-post is such a good idea. He is unperturbed by this month's arrival in Germany of Gateway 2000, the large US direct-seller. "I don't see them as a potential threat. Mail order in Europe is

Stena Line rises 76% to SKr476m in first period

By Christopher Brown-Humes in Stockholm

Stone Line the world's higgest ferry operator, yesterday announced a 76 per cent increase in profits to SKr476m (\$64m) for the first eight months.

It said it expected profits of about SKr500m for the full year, well ahead of last year's SKr273m. The group said mar-ket conditions in Scandinavia remained weak and there was fierce price competition on its

UK routes. However, these factors were more than offset by higher volumes, cost-cutting, profits from a ship sale and lower financial costs. The group also said that its 1993 figures had been hit by

SKr55m in restructuring costs. Turnover rose by 7 per cent to SKr6.67bn due mainly to increased volumes. Passeoger numbers rose 6 per cent to 10.9m from 10.3m, while freight traffic climbed 8 per cent to 584.000 units.

Lines around the UK saw a 10 per cent increase in passenger volumes, but the benefit was eroded by price-cutting in the run-up to the full opening of the Channel Tunnel.

Scandinavian routes were affected by lower consumer spending and the weak Swedish krona, which has affected travel between Sweden and Denmark/Germany.

Daimler-Benz enters insurance

By Andrew Fisher in Frankfurt

Daimler-Benz, the German industrial company, is setting up its own reinsurance company to try to inject more com-petition into the industrial insurance markst and keep

down rising premiums.

The move will be made through Debis, its service and computer software subsidiary, which already has its own insurance operation serving Daimler subsidiaries and outside customers. The new reinsurance company and a rein-

surance broking firm will be based in Luxembourg.

Daimler's decision comes as industrial companies in Germany are looking closely at insurance premiums as they reassess their total operational costs; other concerns like RASE chemicals also have reinsurance offshoots.

Slemens, the electrical and slectronics group, has just switched a large part of its fire risk business for next year from Allianz of Germany to Factory Mutual of the US to save on premiums.

insurance companies have raised fire risk premiums steeply to try to offset heavy losses resulting from over-capacity and under-bidding. Mr Hans Adam, a Debis

director, linked the company's reinsurance decision with the higher cost of fire insurance, the expense of product liability insurance in the US, and increasing risks on the environmental liability sida. He said the whole market was becoming less transparent for industrial clients.

Deutsche forms mortgage bank

By Andrew Fisher in Frankfurt

Deutsche Bank is putting its mortgage bank activities together to form a new organisatioo which will be the biggest source of mortgage finance in Germany.

By merging Frankfurter Hypothekenbank and Deutsche Centralbodenkredit, it will create a new bank with a balance sheet total of some DM72bn (\$46.5bn). The merged bank

Hypothskenbank Central-

Deutsche Bank owns more than 90 per cent of both banks. Another group bank, Lübecker Hypotbekenbank, with a bal-ance aheet total of DM12bn, will also be included in the mortgage grouping through a

management contract. Mr Bernt Rohrer, who will be chief executive of the merged concern, said yesterday that this concentration of Deutsche

would make it more competitive in a tough market and enable it to offer bigger individual property loans.

The biggest mortgage bank in Germany is the Wiesbaden based Deutsche Pfandbriefund Hypothekenbank, but Mr Rohrer said the amalgamated Deutsche Bank subsidiary would be the biggest granter of mortgage loans in Germany. covering 45 per cent of com

(\$46.5bn). The merged bank this concentration of Deutsche mercial property business and will be called Frankfurter Bank's mortgage activities 55 per cent of residential. N&P's chief executive quits post

By Alison Smith in London

Mr David O'Brien resigned as chief executive of National & Provincial Building Society yesterday after being told that the board wanted to replace

him with the society's finance director. His successor, Mr Alistair Lyons, 40, was brought into N&P by Mr O'Brien soon after his own arrival four years

ago. "We really fait we were mov-

ing from a stage where David's skills were very valuable to a stage where Alistair's would be more appropriate," Lord Shut-tleworth, N&P chairman, said. When I communicated this to David, he decided to resign."

Benetton, the Italian clothing

Benetton said its green and pink prophylactics would be produced and distributed on the basis of a licence agree-ment with the pharmaceutical

Unichem in \$92.3m cash call

By Tim Burt in London

UniChem, the acquisitive pharmaceuticals retailer and wbolesaler, yesterday announced a £58.4m (\$92.27m) rights issue to underpin its expansion as one of Britain's largest suppliers of healthcare

The group plans to use the funds to wipe out short-term borrowings, acquire retail outlets and move into other health-related businesses.

Acquisition strategies were also cited in two other rights issues announced yesterday by two other companies: Jefferson Smurfit, the Irish paper and packaging company, and Cat-tle's Holdings, the consumer

Jefferson Smurfit outlined plans to raise I£155m (\$231m) to partly fund its acquisition of is the best option." the paper and packaging business of Compagnie de Saint-Gobain, the French glass and

was seeking £27.9m for the purchase of two new subsid-Mr Jeff Harris, UniChem chief executive, said the move was vital if the group was to pursue an expansion which it started by spending £165.6m on acquisitions and warebouse

building materials group;

while Cattle's Holdings said it

years, £49.9m of it in the six months to June 30. Announcing a 17 per cent increase in first half profits, he said: "We could not maintain

automation in the past three

our growth without increased gearing or a rights issue. This

If fully taken up, the issue of 24.4m shares - underwritten by Barclays de Zoete Wedd and UBS - would eliminate borrowings leaving the group with about £35.4m in cash,

Most of the group's new funds are expected to be invested in new retail outlets, although UniChem bas targeted surgical equipment and hospital supplies as areas for

expansion. Nevertheless, improved performances at Unichem lifted interim pre-tax profits to £21m from £18m, on turnover ahead 11 per cent at £637.7m against £574.1m. Other rights issues, Page 23

ij.

FEMSA

Fomento Económico Mexicano, S.A. de C.V.

has sold a 22% interest in its brewery division

Femsa Cerveza, S.A. de C.V.

to

John Labatt Limited

The undersigned assisted in the negotiations and acted as financial advisors to Fomento Econónico Mexicano, S.A. de C.V.

J.P. Morgan Securities Inc. S.G. Warburg & Co. Inc.

September 1994

BANQUE NATIONALE DE PARIS

USD 580,000,000
Umlated Suburdualed Floating Rate Notes
Notice is hareby given that the rate of
interest for the pancel from September
29th, 1994 to March 29th, 1995 has been
fixed at 5 7625 per cent per annum The
coupon amount due for this period is USD
289 73 per USO 100,000 denomination and
USO \$2,997.25 per USD 100,000 denomination
and in powhile on the interest nation and is poyable on the payment date March 29th, 1995. The Fiscal Agent Banque Nationale de Paris (Luxembourg) S.A.



U.S.\$200,000,000 Floating Rate Subordinated Loan Floating Nate Subordinated Loan
Participation Certificates due 2000
Issued by Yamaichi International (Deutschland) Combit
for the purpose of funding and maintaining a subordinated loan to
The Hokkaido Takushoku Bank Limited
in occordance with the previsions of the Loan Agreement, notice is
hereby given that for the three month Interest Period from September
29, 1994 to December 29, 1994 the Loan Participation certificates
will carry an Interest Rate of 5.55% p.a. and the Coupon Amount per
U.S.\$250,000 nominal of the Notes will be U.S.\$3,507.29. September 29, 1994, London By: Citibank, N.A. (Issuer Services), Agent Bank **CITIBANCS**

DIVIDEND NOTICE

PLACER DOME INC. Notice is hereby given that a regular quarterly

dividend, being Dividend No. 30 of seven and onehalf cents (71/4¢) U.S. per Common Share, has been daclarad payable on December 19, 1994 to shareholders of record at the close of business on November 18, 1994. This is a U.S. ona cent per share increase from the previous dividend.

Shareholders with addresses in Canada or Australia will be paid the equivalent amount in the currency of their respective countries, converted at an exchange rate in effect as at the record

> BY ORDER OF THE BOARD John A. Eckersley Vice-President General Counse

September 21, 1994

THE ROYAL BANK OF CANADA U.S. \$350,000,000 Floating Rate Debentures due 2006

In accordance with the Terms and Conditions of the Debentures, the litterest rate for the period 30th September, 1994 to 31st October, 1994 has been fixed at 54,% per annum. On 31st October, 1994 interest of U.S.\$4,359375 per U.S.\$1,000 nominal amounts of the Debentures will be amount of the Debentures will be due for payment. The rate of interest for the period commencing 31st October, 1994 will be determined on 27th October, 1994.

Z/m October, 1984.
Agent Benk and
Principal Paying Agent
SS ROYAL BANK OF CANADA
EUROPE LIMITED

U.S.\$175,000,000 Phatra Thanakit Public Company Limited

3.5 per cent Subordinated Convertible Bonds 2003

NOTICE IS HEREBY GIVEN to the holders of the outstanding

Bonds that the Company has announced a rights share issue of 203,080,604 shares with a record date of September 26, 1994. In accordance with the provisions of the Indenture constituting the Bonds the Conversion price has been adjusted from Thai Baht 752.10 psr share to Thai Baht 155.93 per shars effsctive September 29, 1994.

Phatra Thanakit Public Company Limited

MORTGAGES NOTICE OF INTEREST

The following interest rates will apply from 3 October 1994 for loans not yet drawn and from the first payment date on or after 3 October 1994 for existing borrowers.

RATE VARIATION

Home Loan Rate 7.99% per annum.

Stabilised Charging Rate

8.29% per annum. This notice does not apply to loans from

Centrebank, a Division of Bank of Scotland. BANK OF SCOTLAND
A FRIEND FOR LIFE

Head Office: The Mound, Edinburgh EH1 1YZ.

U.S. \$100,000,000 **#Bacos**

BACOB Overseas Limitad

Inteed Floating Rate BACOB Savings Bank s.c.

Notice is hereby given that for the three months interest Period from September 29, 1994 to December 29, 1994 the Notes will carry an interest 1994 the Notes will carry an interest rate of 5.45% per amum. The interest psychole on the interest payment date. Occurred. 29, 1994 will be 0.5. \$137.76 and U.S. \$1.377.64 respectwely for Notes in denominate U.S. \$10,000 and U.S. \$100,000

By: The Chase Manheline Back, M.A. London, Agent Bank

SAKURA FINANCE ASIA LIMITED (Incorporated in the Cayman Islands)

US\$ 1,200,000,000

Subordinated Floating Rate Notes 2000 In accordance with the provisions of the Notes, notice is In accordance with the provisions of the roles, notice a hereby given that the interest rate for the three month period commencing 29th September, 1994 will be 5.55% per annum. Coupon Payment Date 29th December, 1994.

Coupon Amounts will be US\$14,029.17 on Notes of US\$1,000,000 US\$ 7,014.58 on Notes of US\$ 500,000 US\$ 1,402.92 on Notes of US\$ 100,000

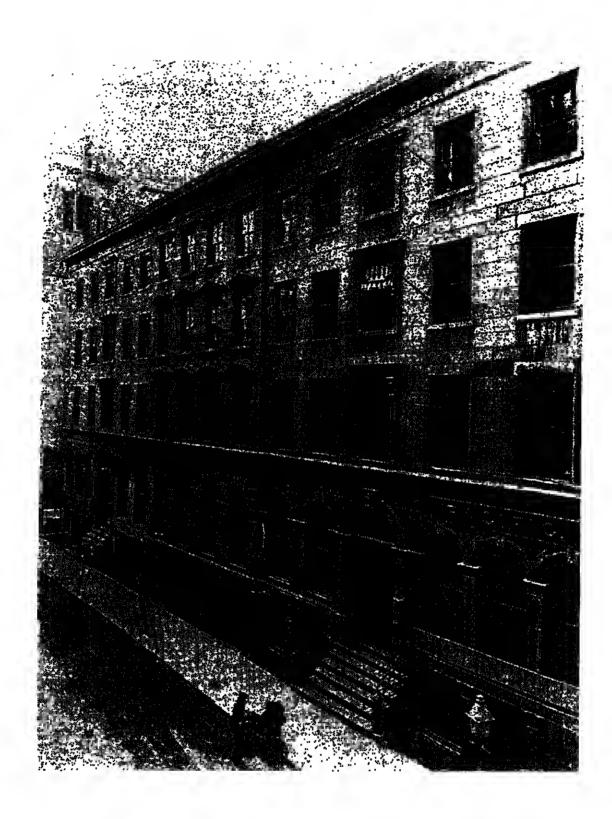
SAKURA TRUST INTERNATIONAL LIMITED

The Property Finance Sourcebook 1994 Avoid expensive fees go straight to the source. With this book you are the expert. The ultimate Property Finance Directory, indispensable for anyone interested in UK property. Call 071 495 1729.





A STATE OF THE STA



30 PINE STREET IS LONG GONE BUT THE FOUNDATION STILL REMAINS.

In 1869, Marcus Goldman started a small company in downtown Manhattan. He spent his days amid the hustle and bustle of a growing city, providing short-term credit to local

businesses. Over the past 125 years, we have come a long way in size and scope from that first little office. Today, Goldman Sachs provides clients with a

seamless web of services

that covers the globe. Still, into we find ourselves grounded principles set forth In our early days: commitment to clients, teamwork, individual a lexcellence, creativity and but

integrity. In 1994, we take pride in how we got here, and we pay tribute to the beginnings that have always inspired us. It's a foundation we intend to build on in the years to come.

By Andrew Hill in Milan

L98,942bn, compared with Net profit at Banca L88,881bn st June 30 1993. Commerciale Italiana edged up in the first half of 1994 to Total funds under manage-L151.3bn (\$96.5m), egainst ment, including deposits, stood at L245,000bn against L220,000bn. However, loans to L149.1hn in the equivalent period, as the bank struggled customers shrank from L54,319bn to L49,117bn because against difficult trading conditions and narrowing interest

margins.
All Italian banks have been hit by the unfavourable environment, prompting a series of poor half-year results, particularly in comparison with s strong first half in 1993.

BCI's net operating profit fell 43 per cent to L356bn. Net noninterest income was down to L651bn, against L783bn, and net interest income dropped to L1,281bn, against L1,404bn.

Only reduced provisions and loan write-downs - down to L231bn against L274bn - and e lighter tax burden allowed the bank to push up net profits. However, consolidated firsthalf net profits, declared for the first time this year, fell to L177.6bn from L185bn .

However, BCI said it was well-placed to take advantage of any improvement inthe trading environment, and was continuing to

Atari link in wake of patent row

By Louise Kehoe in San Francisco

Total deposits at BCI rose to Sega Enterprises, the leading Japanese video game manufacturer, and Atari Corporation, a US competitor, have agreed to form an "affiliation" under which Sega will purchase \$40m of Atari stock.

Under the terms of the agreement, which follows the of weak demand, while total loans rose to L86,929bn against L84,941bn at the end of the first settlement of a patent dispute Sega will acquire an 8 per cent stake – about 4.7m shares – in half of last year. Last week, the bank com-Atari. It will also pay close to \$50m to acquire worldwide. pleted a share issue which raised L1,575bn. The full connnn-exclusive rights to more than 70 of Atari's patents. version of the sttached war-

Last year Atari filed suit against Sega, charging that its patent controlling the way in which video-gams action moves across the screen was infringed by Sega. As part of the agreement, Atari will drop its legal claims.

The companies also plan to license software for a specified number of video games to one another, so that the games will be evailable for both Sega and Atari machines.

The companies said the agreements, which are subject to regulatory approval, will form the basis of a working relationship.

Atari said it would use some of the funds from the agree-ment to expand its marketing programme for the important gain ground with its 64-bit game system, called Jaguar, which it claims is technically superior to the 32-bit systems offered by Sega and Nintendo.

For Atari, an early leader in the video game market that lost ground to Nintendo and Sega in the 1980s, the agreement provides a much needed cash injection. In June, it said it had enough cash to fund its operations through to the end

drew from the personal com-puter market. Losses in 1993

tax profit of Y42.5bn, down 23

Lean times spoil a free lunch on Wall St •

Securities houses are stepping up cost-cutting programmes, writes Patrick Harverson

Brothers announced it was reviawing its "meel-compensation programme". Translated into English, this meant the securities house had decided it would no longer provide free hunches to its 1,500 sales and trading

similar cost-cutting measures by other securities houses in recent months, was just the lstest indication that Wall Street, after enjoying three years of fat profits, is going through some lean times.

The attempt to rein in costs

at Lehman go wall beyond deciding to stop paying for traders' pastrami-on-rye sand-wiches. The firm, headed by Mr Richard Fuld, also announced this week it was sacking 100 of its 300 domestic retail brokers as part of a restructuring of its privateclient business. It was just the latest in a round of cuts which has seen the firm shed more than 700 jobs this year alone,

out of workforce of more than

Although the motives behind the redundancies at Lehman are unusual - since it was spun-off from American Express in a public share offering earlier this year, the management has been determined to trim the cost structure, one of the more bloated on Wall Street - the securities industry as e whole is facing up to an impalatable fact: revenues are falling while expenses are

This disturbing trend was most clearly illustrated last month when the New York Stock Exchange released second-quarter results of its member firms. Between them, the firms earned \$16.4bn in revenues during the period, down from \$17.9bn in the same three months of 1993. Expenses, however, rose from \$15.6bn to

As e result, NYSE firms -which together earned pre-tax profits of \$2.4km in the second quarter of last year - lost \$622.8m between April and June this year. It was the industry's worst quarter since 1987, the year of the October Mindful of criticism that

Wall Street has been slow to cut back on costs during previous downturns in the earnings cycle, firms this year have been quick to prune their payrolls. Aside from Lehman, other big houses which have shed jobs recently include Merrill Lynch, CS First Boston, PaineWebber, and Prudential Securities. Many of the cuts have been concentrated in the fixed-income trading and sales side, where the worldwide bear markst in government and mortgage-backed securities has left firms with sharply lower revenues - or, in some cases, losses - in their bond busi-

job reductions announced so far this year are unlikely to be the last, say analysts, some of whom remain reacting to the drop in reve-



Richard Fuld: announced

further staff cuts this week nnes. Mr Michael Flanagan, who follows the sscurities industry for Lipper Analytical in New York, says: "The industry has been slow in adjusting costs in the hope that conditions would turn upward towards the end of the year. The possibility of that scenario developing now appears remote. So, for the remainder of the year the industry is going to be paying even more attention to cost control."

The impact of some firms' inability to cut costs enough in the face of falling revenues will be evident next month when Wall Street releases its third-

Last week, Lehman provided

a foretaste when it reported earnings for its fiscal third quarter, which ended on August 31. Revenues were down 19 per cent as earnings from brokerage commissions, trading, and investment bank-ing all fell. Expenses, however, were down only 5 per cent from a year ago, and Lehman's profits plunged 89 per cent to just \$11m.

The results of other large firms are expected to be equally discouraging. Since February, the rise in US and European interest rates, the troubles of stock, bond and currency markets, and a dropoff in corporate debt end equity issuance have all taken their toll on Wall Street's bottom line.

The only positive aspect of the current environment is the steadiness of asset management revenues, and the robust health of the mergers and acquisitions business, which is thriving in the wake of a series of multi-million and billion dollar deals in the entertainment, defence, healthcare and telecommunications industries.

These positive features, however, have not been enough to offset the deterioretion in other businesses: rising securities underwriting and trading revenues fuelled the boom on Wall Street between 1991 and 1993, and this is where firms are hurting the most today.

They have also begun to suffer in other areas, say analysts. According to Mr Flanagan: The industry's poor results during the first two quarters of

marily in trading and underwriting categories. Those two areas have not improved in the third quarter, and it's becoming more evident that other revenue sources are also beginning to falter - such as [broking] commissions and mutual fund sales. And the yield curve is flattening somewhat, which will further depress net interest income for firms."

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in ten

f the immediate future for Wall Street is not particularly bright, there is cause for hope over the longer term. US interest rates will probably rise further, but the current round of policy tightenings appears to be nearer its end than its beginning - so stability could return to earnings as early as next year. Also, for those big securities houses with formidable presences in capital markets outside the US. long-term growth prospects are

Economists predict e steady increase in demand for capital worldwide over the next decade, as less-developed econ-omies in Latin America, eastern Europe and east Asia push for growth. With e greater con-centration of expertise in raising money for corporations and governments on Wall Street than anywhere else in the world, a small group of US firms led by Goldman Sachs, First Boston, Merrill Lynch, Morgan Stanley, and Salomon Brothers should be well-placed to feed the global hunger for

Sales climb 4.6% at La Rinascente

By Andrew Hill

Sales et La Rinascente, the Italian retail group, rose 4.6 per cent to L2,626bn (\$1.7bn) in the first half of this year.

The group's hypermarkets, supermarkets and cash-andcarry stores, which account for an increasing proportion of turnover, reported sales of L1,734bn. up 6 per cent, while other outlets, including department stores, turned over L891.2bn, up 2 per cent on the equivalent period.

Pre-tax profit edged up to L27bn in the first half of 1994, against L25.3bn. The company said the imbalance between the first and second halves -

with the second six months accounting for most of the sales volume - made it impossible to forecast full-year

rants would bring in a further

L787bn before the end of next

BCI was controlled by Iri, the

Italian state holding company,

until March, when the sale of

the Iri stake raised some

L2,700bn for the government.

The announcement of s dis-

counted issue of shares and

warrants in May, so soon after

the sell-off, was badly received

by investors, but the share

price has recovered. Yesterday

it closed at L4,081, against an opening price of L3,977.

The issns was priced et L3,000 e share and the privati-

sation price was L5.400.

Last year, net profits rose from L102,2bn to L105.3bn, although the results were almost overshadowed by the sale of 33 per cent of the retailer by Fiat, the automotive and industrial group headed by Mr Gianni Agnelli, to Ifil, the Agnelli family's industrial holding company. The move was criticised by investors.

La Rinascente has confirmed that Mr Luigi Arnaudo, the deputy chairman, was now responsible for the operating management of the company.

of this year. Atari's revenues plummeted to \$28.8m last year, from \$127.3m in 1992, as it with-

were \$48.8m. Sega's revenues for the year ended March 1994 were Y354bn (\$3.6bn), giving a pre-

Nicaragua in telecoms sell-off

By Edward Orlebar In Managua

The Nicaraguan government expects to sell a 40 per cent stake in Telcor, the national telecommunications company, by the end of the year, in what will be the first telecoms privatisation in Central America. Six foreign companies -

France Telecom, Korea Telecom, AT&T, GTE, Telefónica de España, and STET International - have pre-qualified for the sale. The government will retain a 49 per cent share and the remaining 11 per cent will be offered to Telcor's 3,300 employees on preferential

Nicaragua has about 70,000 telephone subscribers and, at less than two lines per 100 people, one of the lowest telephone densities in Latin America. Investors, who will have

management control of the company, must expand the telephone network to 12 lines per 100 people by the end of the decade, says Mr Hjalmar Ayestas, a consultant to Telcor.

The concession is expected to be granted for between 25 and 30 years, with exclusivity Officials say the sale could raise more than \$300m for the government.

The Mcaraguan congress has yet to epprove the sale. However, despite some union opposition and scepticism from the Sandinista party, the bill is expected to be approved next

Telcor has embarked on an ambitious modernisation programme over the past three years, replacing an antiquated analogue network with a digi-

Arco joins Venezuela in oil development scheme holds the world'e largest

By Joseph Mann in Caracas

Arco International Oil and Gas has signed a letter of intent with Corpoven, a subsidiary of PDVSA, Venezuela's national oil company, covering the development of a heevy oil project requiring total invest-ments of \$3.5bn.

The plan is to produce and upgrade heavy crude oil from Venezuela's Orinoco Belt for export, reaching shipments of 200,000 barrels a day by 2004. The Orinoco Belt, located north of the Orinoco River,

known reserves of heavy oils and bitumen, PDVSA, which estimates reserves in the belt at 1,200bn barrels, has assigned strategic importance to developing this heavy oil potential. Arco, e subsidiary of Atlantic Richfield of the US, and Corpoven plan to upgrede

heavy crude oil through a new industrial process to a lighter, more valuable oil, and later blend the product with other Venezuelan crudes. Exports are to be aimed mainly at US



BANQUE WORMS

CONSOLIDATED RESULTS

_ 1994 first-half results _

The Board of Directors of Banque Worms, chaired by Jacques-Henri Gougenheim, met September 21, 1994 to approve the Bank's consolidated accounts for the first six months of the year which show a loss of FRF 394 million. These results nevertheless represent an improvement on the Bank's budgeted first-half performance.

After taking these mid-year results into account, the Bank's consolidated stockholders' equity exceeds FRF 4 billion at June 30, 1994. Total assets amount to FRF 65.1 billion, of which FRF 27.7 billion represent customer nurstandings. The Bank's European solvency ratio increased to approximately 10 percent. This ent reflects a substantial reduction in the Bank's balance sheet during the past year (over FRF 15 billion) as the UAP Group took over Banque Worms' entire real estate investment and loan portfolios.

Moreover, the Bank is about to enter Into discussions with employee representatives leading to the contraction of its organizational structure and, by virtue among others of modernized systems, to reduced expenses. The results expected from these measures will lead to the re-establishment of the Bank's capacity to contribute to the consolidated earnings of the UAP Group, of which it is an

Indeed, the earnings forecast for the second half of 1994 presented at the Board Meeting anticipates a substantially lower loss than that just recorded and, for 1995 consolidated figures, a return to break even, followed by a profit in 1996.

Residential Property

Securities No. 2 PLC

£200,000,000

Mortgage Backed Floating Rate Notes 2018

Notice of Partial Redemption

S.G. Warburg & Co. Ltd. announce that Notes for the nominal amount

of £4,000,000 have been drawn for redemption on 31st October,

1994, in accordance with Clause 5(b) of the Terms and Conditions of the Notes.

The distinctive numbers of the Notes drawn, are as follows:-

673 694 715 735 757 777 798 819 839 861 881 903 923 947 967 991 1013 1035 1055 1076 1096 1116 1136 1157 1177 1199 1219 1241 1261 1282 1302 1325 1846 1866 1886 1906 1927 1949 1969 1989

On 31st October, 1994 there will become due and payable upon

thereof, together with accrued interest to said date, at the office of:-S.G. Warburg & Co. Ltd. 2 Finsbury Avenue, London EC2M 2PA

or one of the other paying agents named on the Notes.

Interest will cease to accrue on the Notes called for redemption on and after 31st October, 1994 and Notes so presented for payment should have attached all Coupons maturing after that date.

£76,300,000 nominal amount of Notes will remain ourstanding after 31st October, 1994.

presentation of each Note drawn for redemption, the principal an

11.00% Series 3 Secured Bonds due 1993

NOTICE OF PAYMENT to Holders of **OLYMPIA & YORK FIRST CANADIAN PLACE LIMITED**

NOTICE is hereby given that on September 30, 1994 a partial payment of Cdn.512,50 for each Cdn.\$1,000 principal amount of Olympia. & York First Canadian Place Limited 11% Series 3 Secured Bunds due 1993 (the "Series 3 Bonds") will be available to holders from The Royal Trust Company, truster under the Trust Deed dated as of September 19, 1988 pursuant to which the Series 3 Bonds were issued. Holders may obtain partial payment on this date by presenting the original Series 3 Bond certificate to any of the following paying agents:

Bank of Montreal London Office London EC4N 8ED

Banque Internationale à Luxembourg S.A. 2 Boulevard Royal

Credit Suisse 8 Paradeplatz 8021 Zurich

Krediethank N.V. 7 Rue d'Arenberg 1000 Brunelles

Bank of Montreal First Canadian Place pronto, Ontario, M5X LA1

sensed for payment will be marked in show the partial paym and returned to the holder. No interest or other income on or in respect of the payment amount will accrue to holders presenting Series 3 Bonds after September 30,

Persons having an interest in Series 3 Bonds maintained in the Euroclear or Cedel clearing systems need not present such Series 3 Bonds for payment, as arrangements have been made for the payments in respect of such Series 3 Bonds in be made through the clearing systems.

Any impairies concerning the payments may be directed to the Principal Paying Agent, Bank of Montreal, London Office, Attention: Manager, Fiscal Agencies, telephone Dated this 29th day of September, 1994.

THE ROYAL TRUST COMPANY

U.S. \$100,000,000 Floating Rate Subordinated Loan Participation Certificates Due 2000

Merrill Lynch Bank AG for the purpose of funding and maintaining

The Saitama Bank, Ltd.

Notice is hereby given that for the interest Period from September 29, 1994 to December 29, 1994 the Certificates will carry an Interest Plate of 5.575% per annum. The amount of interest payable on December 29, 1994 will be U.S. \$140.92 per U.S. \$10,000 principal amount of Certificates.

By: The Chase Manhattan Bank, N.A. London, Agent Bank September 29, 1994



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Petroleum Argus Daily Oil Price Reports Petroleum Argus

First half 1994

On september 21, 1994, CPR's Board of Directors were informed of the Group's activities and results for the first half of 1994. Group share of net profit was FRF 140.6M compared to FRF 155.6M for the first half of 1993. Consolidated shareholder's equity amounted to FRF 3.34bn at June 30. 1994 and the balance sheet totalled FRF 191bn. The European solvency ratio was 9.7 %.

Proprietary trading

The Group's exposure to loterest rate changes was substantially

CPR and CGM fully profited from the continuing decline in sbortterm loterest rates by developing transformation operations nn maturities of less than 3 years, and also by diversifying arbitrage acti-

Paresco inc's activities were affected by the sharp rise in American interest rates at the beginning of

At June 30, 1994, proprietary tradine sctivities contributed, before goodwill amnrtization, FRF 112M to consolidated profits compared to FRF 122.2M during the first ball

Asset management

Assets under management, st CPR Gestion for fund management and Scheicher-Priocc for private clients, smounted to FRF 51.2bn, s FRF 2bn increase since December

Subsequent to the merger with Banque Française d'Investissement,

in a difficult market environment, the Group's risk management and control systems enabled CPR to stay on course.

Despite the sharp fall in the (mancial markets during the first half of 1994, the contribution from proprietary trading activities continued to represent 65 % of Group profits.

Client-oriented activities -asset management and brokerage- accounted for 35 % of consolidated profits before goodwill amortization.

Contribution of the 3 businesses to Group earnings* as of June 30, 1994



CPR Gestion has now acquired the statute of a bank.

Not profits of asset management activities amounted to FRF 25.9M. representing 15 % of consolidated profit compared to FRF 18.1M for the first half of 1993.

Brokerage activities

The year began with strnng volumes, but then fell significantly during the second quarter.

CPR Intermédiation, which bas been appointed a Spécialiste en Possions sur Valcurs du Trésor (Primary dealer in Treasury security repos), is a leading nperator in the securities repos market.

Despite the decline in volumes towards the end of the first balf, activity at Schelcher-Prince, the stockbroker, remained buoyant.

Revenues and profits of the Crnup's Interbank brokers rose significantly.

Foreign subsidiaries suffered from the difficult economic conditions. particularly in Spain.

Profits from brokerage activities amounted to FRF 35.5M. s FRF 12M decilne over the comparable period of 1993.

Outlook

(FRF 173.4M to FRF 187.8M at 38/08/93)

Thanks to the quality of its staff, CPR remains confident about the Group's future expansion despite current uncertainties concerning the interest rate markets.

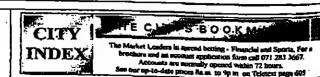


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29th September, 1994

INTERNATIONAL COMPANIES AND CAPITAL MARKETS

in Indian venture bank

By Stefan Wagstyl in New Delhi

National Westminster Bank of the UK is planning to invest about £10m (\$15.8m) in e newly-formed joint venture Indian

It is the latest move by an international financial services group to take advantage of india's economic liberalisation

NatWest is proposing to take a 20 per cent interest in HDFC Bank, which is promoted by the Housing Development Finance Corporation, India's largest housing finance com-pany. HDFC would hold 35 per

The deal is expected to be signed in early October. HDFC Bank is one of 10 new privately-owned banks licensed by the Indian authorities as part of efforts by Mr P.V. Narasimha Rao, prime minister, to liberalise the economy.

The authorities have also banks - Dresdner Bank of Germany, Chase Manhattan of the US. the Bank of Mauritine, the Development Bank of Singapore and Denmark's ING Bank.
Several other banks, including have blamed all foreign banks

Alcoa of Australia, the

alumina producer owned jointy by Alcoa in the US and Western Mining Corporation, warned yesterday that cut-backs in production at its Port

land ishuminium smelter could

secured new power arrange-

ments with the Victoria state

authorities.
The smelter of a joint venture

between Alcoa, the state gov-

ernment, China International

Trust investment Corp (Citic),

First National Resource Trust

and Marubeni Ahminium Aus-

tralia - said it had been advised that the state electric-

ity commission would withdraw power supplied under a

supplemental agreement with effect from January L This, it

become permanent unless it

reo joins laka

1994

Germany's Commerzbank, are also considering applying for

NatWest and the other new entrants will join about 24 for-eign banks already operating in India, including Standard Chartered Bank of the UK. Australian-owned ANZ Grindlays, and Citibank, American Express and Bank of America from the US. Unlike most Indian-owned banks, foreign banks escaped nationalisation in the 1970s, but suffered until recently from tight operating

restrictions. The authorities might have granted new licences sooner had it not been for the 1992 Rs40bn (\$1.28bn) securities market scandal in which for eign banks were accused of

playing a prime role.

The Indian authorities hope that the new banks will increese competition. India is dominated by 28 state-con-trolled banks holding 90 per cent of banking assets. The encouragement given by the finance ministry and the Reserve Bank of India, the central bank, to foreign banks comes in the face of criticism

said, would cause the smelter

to operate at an aluminium

those involved in the securities scandal, such as Standard Chartered Bank and Citibank

Mr D.R. Mehta, a deputy director of the Reserve Bank of India, the central bank, said India very much wanted to encourage competition from foreign banks and would distinguish between scandal-afed banks and the rest.

NatWest, which was once represented in India through one of its forerunners, the National Bank, sees the joint venture with HDFC as a better way of entering than establishing a wholly-owned banking operation.

They also think it will be an advantage to be tied to a strong local partner when bidding for government related business such as privatisation. The partners would offer shares to the new bank's employees, and to employees and shareholders of HDFC. The bank would be floated on the

stock market early next year. NatWest is also planning to open a representative or liai-

Alcoa output cuts **Australians** may float may be permanent French mine

production capacity of around 300,000 tonnes a year. The smelter had already cut production by around 26,000 tonnes a year as a part of the global initiative to reduce output in response to serious international oversupply, but it ect in France. was envisaged that this reduc-

tion would be temporary. The state authorities have been seeking to renegotiate the power arrangements since May 1993. The smelter owners said they would "welcome the opportunity to agree on a satisfactory basis for acquiring additional power", but offered to waive the three-month notice period so that the withdrawal of the supplemental power would be effective immediately. to reach 90,000oz a year when full capacity is reached.

son office in Bombay through which it could handle nonbanking business such as capi-tal markets activities.

Eltin, the Western Australian mining and earthmoving contractor, and Orion Resources, a WA goldminer, said yesterday that they were considering floating the Salsigne gold proj-

The companies, who were responding to a query from the Australian Stock Exchange, said they had engaged the stockbroking company James Capel in London to explore possible options, and expected its findings to be presented within the next three months. The project, near Carcassome in south-west France, is the country's last gold mine. Production has been budgeted

NatWest plans to invest | Dow bids for stake in east German operation

By Judy Dempsey

Dow Deutschland, a subsidiary of Dow Chemical of the US, is seeking to buy a majority stake in east .Germany's former etate oil and chemical operations after it has completed an extensive-evaluation study, company officials said yesterday.

An investment by Dow, which has been seeking a footbold in eastern Germany for some time, would boost prospects by the Treuhand privatisation seency to find additional partners for the Leuna/Buna/Bohlen chemical

Saxony-Anhalt. In its letter of intent to the Treuhand.

Dow has targeted its interest on the steam cracker facilities at the Sächsische Olefinwerke in Böhlen, the electrochemical units and derivative operations at Buna, in Schkopsu, and the polyolefin and intermediate

ical operations at Leuna. The decision on what it will buy will be made by the end of the year. All three facilities formed the nucleus of east Germany's chemical sector under the former communists. Since unification, the Treuhand has

complex in the eastern German state of been engaged in a massive have an annual turnover of \$4hn. restructuring programme aimed at attracting investors to install a new steam cracker facility and oil refinery in the region.

Despite overcapacity in the chemical industry in Europe, a Dow official said: "East Germany is part of our long-term strategy in Europe.

We are looking for a better position to serve all of Europe, not only west, but also eastern Europe."

The official added Germany's state and federal suthorities were expected to provide "the normal grants" for such an investment. Dow's European operations

The Treuhand has been providing generous financial investment incentives for the Leuns/Buns/Böhlen chemical sector in which 68,500 people had been employed before 1990. This figure has sharply fallen to 12,300

early retirement schemes. At the same time, the Treuhand, backed by the finance ministry, has picked up the sector's DM3.5bn (\$2.27bn) old debts and has provided e further DM5.5bn in real investments which will increased to DM8.7bn by

through closures, redundancies and

Japanese warrants are down, but not out

t, reports of the Japanese equity warrant market's death are greatly enaggerated.

True, symptoms of an ailing market abound the supply of bonds with warrants attached has slowed markedly in recent. months, warrants have severely underperformed the underlying stock market of late and volatility has declined sharply.

In this environment, Morgan Stanley recently stunned the trading community with its decision to pull out of warrant market-making, the second defection this year after Baring Brothers withdrew in January. In the D-Mark sector, where only some 40 warrants are actively traded, Commerchank announced early this week that it, too, would stop mar-

ket-making. However, most market participants say the market is suffering only a temporary malaise from which it will recover when the environment improves. It's been a difficult time, but the market has survived tough times before and will do so again," says a senior warrant dealer in London.

The market for Japanese equity warrants - call options on stocks, stripped from bonds issued by Japanese companies and then traded independently - has had its ups and downs. Pushed to dizzy heights in the late 1980s by the raging bull rum in Japanese equities, warrants slumped when the Nikkel 225 index plunged from a high of 38,295 to a low of 20,222 in 1990, falling as low as 14,309 in 1992. They have shadowed the stock market's lacklustre performance through the Japanese recession.

ELROPEAN INVESTMENT BANK

ated accordingly. From e high of \$67bn in 1989, issuance lipped to \$29bn in 1991, \$16bn in 1993, and has totalled a mere \$8.2bm in the year to date, according to data from Euro-

money Bondware. Meanwhile, the expiry of nore than \$100hm of warrants in the past two years alone has meant that a significant num-ber of maturing issues have not been replaced, thus reduc-

DERIVATIVES

ing the absolute number of actively traded warrants. This year's uninspiring per-formance of the underlying market hasn't helped. After a spurt early in the year, the Nikkei 225 has languished in a

narrow range between 19,000 and 21,000. When the stock market is static and volatility falls, this erodes the time value of the warrants, causing them to fall in price," says Mr Cliff Ben-ford, head of trading in Far Eastern markets at Fleming

Securities. Warrants dramatically underperformed stocks in recent months. After reaching a high of 1,093 on June 17, the D.E. Shaw Warrant Index fell by 37 per cent to 689 this week, compared with a 9.5 per cent drop in the Nikkei 225 during the same period. But according to Morgan

Stanley, its main reason for pulling out was that warrant market liquidity was drying We will continue to have a

substantial presence in the market, both through our client business and proprietary trading," says Mr Charles Stonehill, head of European equity operations at Morgan "But what we believe is unattractive is a marketmaking requirement in a market of declining liquidity."

Following the liquidation of large warrant positions this year, some investors' withdrawal from the market has rendered it less liquid, says Mr Stonebill. "You can't run a market for the benefit of the market makers - you need to have some sophisticated inves-tors. If liquidity comes from market-makers dealing with each other, that's false liquid-

Others disagree. This is not a dealer-driven market, it'e driven by institutional investors - the dealers just provide additional liquidity," argues Mr Louis Salkind, managing director at DE Shaw Securities, one of the biggest warrant market-makers. Moreover, he adds, there is actually more liquidity in many warrants than in the underlying stocks. Some say it'e not so much

the market'e liquidity but its profitability, or lack of it, that persuaded Morgan Stanley to stop making markets. They say that houses with a well-established client base have been able to weather the storm more easily than those with large proprietary trading books, largely the big US houses, which have suffered most from this year'e downturn.
"The houses with huge

hedge books have enjoyed great profits in the past, and this is the first cold bath they've taken," says Mr Benford. Since Flemings' business is driven by institutional investhese droughts - we're not affected by the drop in volatility because we don't have a oprietary book", he says. Warrants, which tend to he

highly geared, are a favoured way for hedge-traders to play the Japanese stock market. Warrants are a speculative vehicle offering fast, liquid and leveraged exposure to the mar-ket," says one trader. Meanwhile, the 11 remaining

Street (1000)

continue providing a liquid market. The London-based warrant market-makers are Daiwa, Nikko, Nomura, Yamaichi, Goldman Sachs, Salomon Brothers, Robert Fleming, BZW, Cresvale, DE Shaw and Smith New Court.

However, despite a chorus of soothing statements from the market-makers, supply does remain an issue. New Japanese accounting rules, introduced in April, which require that bond and warrant portions of new issues be accounted for sepathe issuers' cost of funding and ket taking up some of the

While the new rules do alter the playing field, they don't justify predictions of doom for the warrant market, according to Mr Salkind at DE Shaw. "While warrant issuance has dropped off substantially since the new rules took effect...the recent shortage of warrant issues is probably more reflective of seasonal patterns and bearish sentiment in the warrant markets than e reaction to the changed regula-

Moreover, as the convertible market, which has seen a rise in issuance in recent months, approaches saturation, "there is increased interest from issuers who perceive the warrant market as still open for issuance," says an official at

According to several market sources, the coming months are likely to see some large dollar offerings which could revive the warrant market -provided the stock market also shows some improvement and volatility recovers. "We need a pick-up in market volatility before we would regard the market as generally cheap,

the Nomura official says. Amid predictions of the market's recovery, even Morgan Stanley seems to be keeping its options open. "Though we don't feel optimistic about any immediate change in market conditions, that could change," says Mr Stonehill, "Some of these factors may be reversible, and if so, we will re-eval-uate our decision."

Conner Middelmann

MI-MIS TOLL MOTORWAY

ECU 329 MILLION (equivalent)
LIMITED RECOURSE PROJECT FINANCING



Co-Arranges

FOREIGN CURRENCY DEBT FENANCING

DEM 182,385,000

Lender of Record

Société Générale

HUNGARIAN FORINT DEBT FINANCING

HUF 12,000 million Arranged and Provided by European Bank for Reconstruction and Develo

General Agent: Banque Nationale de Paris Agent: European Bank for Reconstruction and Deve sor to the Hungarian Government: Morgan Grenfell & Co. Limited

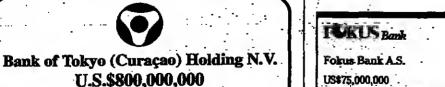


BNP

Ploeting Rate Notes Due 1999 accordance with the terms and rate for the period 30th September, 1994 to 30th Merch, 1995 has been fixed at 19,35% per ennum. The internet psychia on 30th Merch, 1996 will be PTE SL75 per PTE 1,000 ROYAL BANK OF CAMADA BATTE Goaranteed Floating Rate Notes due 1996 with Goaranteed Floor Warrante

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Subordinated Guaranteed Floating Rate Notes Due 2000 Guaranteed on a subordinated basis as to payment of Principal and Interest by

The Bank of Tokyo, Ltd.

In accordance with the provisions of the Notes, notice is hereby give that the rate of interest for the three months period 29th September, 1994 to 29th December, 1994, has been fixed at 5-500 per cent per annum Coupon no. 17 will therefore be payable on 29th December, 1994 at U.S.\$6,951-39 per coupon from Notes of U.S.\$500,000 nominal and U.S.\$695-14 per coupon from Notes of U.S.\$50,000 norm

The Bank of Tokyo, Ltd.

London

US\$75,000,000 Subordinated floating rate

notes due 2004

Notice is hereby given that for the interest period 29 September 1994 to 29 March 1995 the notes will carry an interest rate of 6.8375% per m and that the interes payable on the relevant interpayment date 29 March 1995 will amount to US\$343.77 per US\$10.000 note and US\$3,437.74 per US\$100,000

Agent Morgan Guaranty **JPMorgan**

The compon N°6 will be payable at the price of USD 16.123.65 on March 24th, 1995, covering the period as from September 26th, 1994 to March 23rd, 1995 (inclusive), and represent 179 days of interest CREDIT LYONNAIS

CREDIT LYONNAIS
USD 50.000,000,
UNDATED
SUBORDINATED
STEP UP VARIABLE
RATE NOTES

Noteholders are hereby informed that the rate

pplicable for the coupon No has been fixed at 6,4875 %.



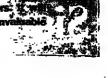
On Friday, September 30 all will be revealed.

On Friday, September 30 the FT [MF/World Economy Survey will be published with the Financial Bank Conference, which this year will be held in Madrid.

.The survey will include extensive coverage of both macro and micro econo financial and business trends in selected countries and regions, plus an authoritative as

in fact, he an essential document as background to the proceedings in Madrid skilled up-date on financial developments throughout the world.

Financial Times, Europe's Business Newspaper.



By Conner Middelmann

A new type of open-ended

mutual fund is available to UK

institutional and retail inves-

tors: the Nikko Japan Return

Reversal Fund, run by Nikko

International Capital Manage-

ment (NICAM). Investing in

Japanese equities, it aims to

outperform the broad Tokyo

Its investment strategy is

based on "mean reversion" the-

fund therefore aims to select

fundamentally undervalued

stocks at the bottom of their

makes sense," says a London

stock market index, TOPIX.

NICAM launches

INTERNATIONAL CAPITAL MARKETS

Auction of benchmark gilt meets strong demand

By Mertin Brice in London and Frank McGurty in New York

UK government bond prices were pushed higher yesterday after the successful auction by the Bank of England of £2bn of new stock.

The auction - of 81/2 per cent gilts due 2005 - was covered 1.74 times, close to market forecasts, and had a tail - the difference between the top and average yield - of 1 basis

Unsatisfied demand for the bonds - which will become next year's benchmark - after the auction drove prices higher. There were rumours in the market that the Bank of England moved to meet this demand by supplying an extra £100m of gilts after the auction to help market-makers who stock. One trader said: "It is pretty rare for the Bank to sell

other stock on the day of an auction, and it has supplied stock right along the yield

Traders believed that the Rank supplied £100m in total of the 7 per stock due 2001, 9 per cent stock due 2011, and 8 per cent stock due 2013.

They believed much of the new gilt went to long-term investors, and then marketmakers who had been selling futures against the new benchmark issue, found themselves short of stock and needed to

cover their positions. "It has been a very technical markat today, with a big squeeze. But cash volumes have been pretty pathetic. There hasn't been a lot of profit in it."

The December long gilt future moved up # to 99% before the closa, and the spread over bunds was 151 in ■ German government bonds followed US Treasuries upwards in the afternoon, with the December hund future around 89.60 in late trading, up 0.60 point on the day.

GOVERNMENT BONDS

Mr Adrian Owens, European economist at Yamaichi said: "The market had a much better feel to it, and the floatingrate note was well received."
The DM10bn floating-rate bond met strong demand, trad-

A total of DM4.49bn was issued yesterday, after DM3bn was issued the day before. The Bundesbank withheld DM2.5m for market-tending purposes.

■ The performance of the Italian government bond market yesterday was a reaction to

their poise yesterday morning as traders ignored an inconclusive report on durable goods

11.63 per cent on hopes of a By midday, the benchmark 30-year government bond was 1/2 better at 86%, with the yield heralded by agreement on a slipping to 7.799 per cent. At the short end, the two-year note was up & at 100 h, to yield He said the market rallied by 6.50 per cent.

Bonds were stronger overnight after retreating the previous day on the decision by the Federal Reserve to stand still with its current policy on

On the long end of the maturity range, Tuesday's inaction by the Fed had brought a measure of disappointment. Holders of the most inflation-sensitive securities would have prefered a more forceful response to recent signs of economic acceleration.

are essentially neutral for the

Treasury market. The Com-merce Department said orders of goods built to last more than a year had risen 6 per cent last month, against expectations of

a 3.8 per cent increase. Bonds slipped on the headline figure, but quickly recov-

Most of the unexpected surge was attributed to aircraft orders, perhaps the most volatile of sectors. Without transportation, the August increase was only 23 per cent, a tame growth rate which traders were able to brush aside.

ory, a concept derived from statistical evidence which Bonds gained additional supshows that the price of a share port from weakening gold tends to over or undershoot its prices and a firmer dollar. intrinsic value, returning to its The market was still facing "real" value over time, NICAM

tion of \$11bn in five-year notes. states. Research conducted by two Despits a lukewarm reception American academics has for a two-year sale the previous shown this trend to be particularly pronounced over the long the new issue with some confi term in the Japanese equity market, they state. Nikko's

price cycle and capture their price recovery. Given expectations of a stronger Japanese stock marmet with good demand from continental European retail ket performance as the investors, who have recently economic recovery gathers pace, "the timing of the launch shown keen interest in short-

dealer.

innovative fund The fund's investment strategy follows a three-stage approach to select the stocks which are deemed most likely

to increase in value and out-

perform TOPIX. It begins with the selection of the worst-performing 25 per cent of stocks over the preceding eight years listed on the first section of the Tokyo stock

Each stock is then measured to establish its level of undervaluation, and is judged to establish its potential value for performance, in order to remove stocks of fundamentally poor companies.

Finally, the stocks are spessed on the basis of specific fundamentals, including net worth, risk, equity and financial solvency. The final portfolio will consist of 60 to 80 stocks and will be rebalance each quarter to ensure that all stocks in the portfolio are likely to be undervalued and that those which have already reached their peak are removed

NICAM launched an institutional offshore fund using the return reversal strategy in February 1992, which, it says, has outperformed TOPIX by more than 9 per cent and the Nikkei 225 index by 22 per cent.

Exam plan by **US** banking regulators

US banking regulators plan to give bank employees who sell mutual funds and other investment products an examination similar to that given to brokers by the National Association of Securities Dealars, Reuter reports from Washing-

The plan aims to ensure that bank employees give accurate information to customers about the investment products they are buying, including risks of huying that are not

The US Comptroller of the Currency, Mr Eugene Ludwig, told a conference of the Consumar Bankers Association that regulators are finalising details of the testing pro-

Warm reception for Lebanon's debut offer

domestic political events.

The yield on the 10-year

bond fell by 15 basis points to

reduced government deficit

budget. "The Italian soap opera con-

tinues," said Mr Nell Williams,

almost a point on the news

that the government's budget had been finalised for presenta-

tion to parliament, but fell

back on news that the trade

unions were planning a short

strike in protest at pension cuts, and on news that tha

Northern League had dissoci-

Mr Williams said: "It will be

choppy ride from here on.

The market will continue to

ebb and flow on rumours of the

deficit. It is a fascinating mar-

■ US Treasury bonds regained

ated itself from the budget

analyst at UBS in London.

By Conner Middelmann

The launch yasterday of Lebanon's debut eurobond was a resounding success, meeting so much investor interest that although the size of the issue

INTERNATIONAL BONDS

was increased, it failed to satisfy all the demand, market

participants said. After launching an initial \$300m of the 10% per cent three-year bonds, lead manager Merrill Lynch raised the size to \$400m in response to "overwhelming" demand, according to a Merrill syndi-cate official. "The issuer wanted the deal to be tightly placed, and we convinced them that aven \$400m would make

no difference in terms of

market reception," he said. Indeed, the bonds saw keen demand from a wide variety of investors. "There has been a lot of demand from retail investors, several institutions in the Gulf region, and the who's who of European funds and insurance companies." said the syndicate official. A large portion of the paper was

Lebanese expatriates. The bonds were priced to vield 325 basis points over the corresponding Treasury hill, largely as expected. The spread on the bid price narrowed to 305 basis points over by the

said to have been bought by

end of the day. In the D-Mark sector, the African Devalopment Bank issued DM300m of 71/4 per cent five-year bonds. Priced to yield 24 basis points over the 61/4 per cent Treuhand notes, they saw good demand from German

banks and investment funds in Benefux countries and Switzerland, said Deutsche Bank.

Meanwhile Deutsche Bank and Morgan Stanley continued building the books for the World Bank's DM2bn global bond, which is expected to have a five-year maturity and be launched on Tuesday.

US DOLLARS Lebanese Rap

D-MARKS

ITALIAN LIRE

Spc. Gén. Acceptance

LUXEMBOURG FRANCS

could see the launch of a DM150m 10-year bond for a government-guaranteed Japanese borrower. Société Générale Acceptance

The D-Mark sector today

made a rare appearance in the sterling sector, issuing £120m of 8% per cent three-year bonds. According to lead m

8.875 99.877R Nov.1997 0.

99.83R

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102.45

Dec.1999 1.75

NEW INTERNATIONAL BOX

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300

2bn

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8.00

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20R	+40(8%%-97)	HSBC Markets	h: m
25R	+24(61/49/-99)	Deutsche Bank	in
			l In

BGL/Parthes Linembourg

8.36 5 yrs 9.88 16 yrs 9.81 20 yrs 8.63 kred.† 9.42

dated sterling paper. The

bonds were priced to yield 40

basis points over the 8% per

cent gilt due 1997, which was

EC in insurance rule move

he European Commission has ismissed newspaper reports hat recent European Union iles on insurance companies' olvency requirements could arm the \$1,500bn eurobond

narket, Renters reports. According to the reports, nsurance companies could lose their ability to own eurobonds because a EU directive prohibits securities not traded regulated markets to amount to more than 10 per cent of assets qualifying for

8.81 8.79

7.10 7.23 7.41

Sep 28 Sep 27 Yr. ago

4,08

the purpose of meeting solvency rules. But a Commission spokeswoman said the rules allowed

EU countries to classify Euro-

bonds as securities "suscepti-hla to be traded" in EU exchanges The International Securities Market Association, the nonregulated market's body, agreed with the Commission's interpretation and said that

the problem noticed in Britain

8.94 8.03 8.91

1.79

could be solved.

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Sep 28 Sep 27 Yr. ago

2.94

- Low coupon yield -- Medium cotspon yield -- Migh coupon yield -- Sep 28 Sep 27 Yr. ago Sep 28 Sep 27 Yr. ago Sep 28 Sep 27 Yr. ago

8.88 8.93

8.78 8.82

BENCHMARK GOVERNMENT BONDS Red Day's Week Month	ITANY II NOTIONAL ITALIAN GOVT. BOND (ETP) FUTURES	FT-ACTUARIES FIXED INTEREST INDICES Price Indices Wed Day's Tue Accrue
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theriends 5,750 01/04 88,8900 +0,530 7,45 7,94 7,27 em 8,000 05/04 62,7500 +0,670 10,97 11,34 11,02	10960 1.85 2.76 2.10 3.57 10100 1.80 2.54 2.35 3.86	8 All stocks (13) 172.27 +0.41 171.57 0.67
Gitts 6,000 06/96 89-23 +11/32 8,62 8,86 8,23 8,750 11/04 86-08 +20/32 8,62 9,04 8,50 9,000 10/06 10/1-23 +25/32 8,79 8,97 8,52	Est. vol. total, Calls 15th Puta 6711. Previous day's open int., Calls 13595 Puts 18599	Debentures and Loens 9 Debs & Loens (76) 126.25 +0.74 125.33 2.50
Treesury 7.250 08/04 97-27 +2/32 7.56 7.55 7.20 7.50 11/24 98-15 - 7.80 7.83 7.48		Average gross redemption yields are shown above. Coupon Bends: Low: 0%-7%
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COMPANY NEWS: UK AND IRELAND

Rights issue announced to raise I£155m to help fund acquisition of Cellulose du Pin flotation boosts Jefferson Smurfit

Jefferson Smurfit Group, the Dublin-based paper and packaging company, reported a surge in interim pre-tax prof-Its. from I£50.7m to I£251.6m (£248.6m), thanks to the flotation of Jefferson Smurfit Corporation in the US, in which it has retained a 46.5 per cent stake.

company The announced an underwritten 1-for-10 rights issue to raise a net I£155m towards its I£684m acquisition of Cellulose du Pin. tha paper and packaging operations of France's Compag-nie Saint-Gobain, the purchase of which propelled it to the top of the European corrugated paper industry six weeks ago. The rights price of IS3.30 represents a discount to the market especially after yesterday's

rally, which took shares in London up 21p to 421p. The group expressed optimism about growth prospects in its core markets. "We've got

a very bullish outlook for the second half. It is time for this industry to start clawing back some of the losses it made in the past four years," said Mr Dermot Smurfit, joint chair-

The results were buoyed by net exceptional credits of 1£206.9m, rapresenting tha write-back of a provision made against its investment in Jeff-erson Smurfit Corporation, which had been through a refi-nancing, and taking into account other gains and costs relating to the flotation.

The underlying trading profit before interest and tax, including associate companies, rose only modestly to I£41.8m (I£39m). But the company indicated it expected to see strong cashflow coming through from its operations as price increases were absorbed by the marketplace.

The recovery of raw materials costs has been slower than we'd like, hut it is starting to happen in most of our major



Dermot Smurfit: looking to claw back losses in past four years

markets," said Mr Smurfit.
"We're not talking about price increases, but price recovery; hringing prices back to where they used to be four to five years ago."

(1.2p), a 17 per cent increase. The group is looking to benefit from the industry's cyclical Earnings per share rose from 7.4p to 51.6p, with the excep-

action and the real benefits of the US restructuring will only flow through over the next couple of years," said Mr Michael Moroney, analyst at Good body's stockbrokers in Dublin COMMENT Smurfit will take advantage of the paper industry's bounce

"This year is not where it's at for the company. The full

impact of strong product price

back from recession over the next couple of years. Full-year profits are forecast at I£100m-I£110m, or 16.5p a share, giving a heady prospective p/e of nearly 26. This drops sharply to about 12 on next year's earnings forecasts, which go as high as 35p a chare, buoyed by the price rises. The acquisition could have been funded from debt, but the rights issue looks a prudent move as it will give the acquisitive group some flexibility to look for takeover targets in Germany, where it sees a gap in its European port-

Cattle's £28m call to buy consumer credit provider

By Christopher Price

Cattle's (Holdings) is to expand its consumer credit operations with the acquisition of Welcome Group from London and Manchester, the financial services company, for a consider-ation of up to £27.4m

The deal is to be financed by a 2-for-9 rights issue at 118p a share, which will raise about

Cattle's shares closed down 7p at 135p yesterday. Welcome provides monthly credit facilities, mostly unsecured personal loans and hire

purchase agreements. It has a 39-strong hranch network, concentrated in the Midlands and oorth of England. and a customer base of about 33,000.

Cattle's main source of revenue, Shopacheck, makes smaller unsecured loans and product sales, with repayments made weekly to an army of door-to-door sales staff.

There are also marked differences in the rate of interest charged by the two companies. with Welcome's rate anywhere between 20 and 50 per cent and Cattle's more than 50 per cent, although the company pointed out that its rates usually included administration and

Mr Edward Cran, Cattle's chief executive, said that Wel-come would benefit from the 44,000 customers who used Cattle's own monthly credit facility, Shopaplan, which is run out of small retall out-

He added that the co-operatioo hetween the group and Londoo and Manchester, in which they have used each other's customers as leads for new husiness, would be devel-

Cattle's is paying an initial 221.4m for Welcome. A further £3.5m is to be paid after three years, with an addierated by Welcome by the end

Welcome, which started trading five years ago, turned pre-tax losses of £1.43m in 1991 into profits of £1.57m last year. Turnover nearly tripled in that time from £15.7m to

Mr Cran sald the deal would be earnings neutral in 1995. Analysts, who have pencilled in pre-tax profits of about £26,5m for Cattle's in 1995, said that it would require some £4m of profits from the new divisiou and a further £tm from Catile's other recent purchase, Reedham, an Invoice factoring company, for that to

happen. Mr Cran, wbo said that current trading in both the Shopacheck business and the two new acquisitions was at record vels, asserted: "There should be no problem whatsoever in achieving those kind of

Cash calls send right signals

Simon Davies reports on the announcement of further rights issues

he announcement of a furthar three rights issues yesterday, following Monday's £235m cash call from Reckitt & Colman, indicates renewed corporate confidence in the demand for new shares, after the summer

the themsale of

However, the number of such offers is likely to be linked increasingly to mergers and acquisitions activity, as balance sheets are replenished by record net cash inflows, due to the improving economic

back-drop.
This week's issues have all been linked to corporate purchases, while last year's record fill4bn of rights money was more frequently applied to patching up balance sheets.

In part, the change in motivation reflects a waning of institutional demand, in the face of both an over-supply of flotations and the more volatile stock market conditions. Mr Richard Kersley, UK

equity strategist at Barclays de Zoete Wedd Securities, said: "There is not tha sama wall of money that there was this time last year, particularly from the overseas institutions."

What money there is, has been drawn towards flotations. The Stock Exchange estimates that £5.81bn was raised from rights issues in the first eight months of the year, while the corresponding figure for flota-

tions was close to 19bn. However, James Capel expects rights issue activity to pick np in the last quarter, with a full-year forecast of

This would represent almost 1.5 per cent of the stock mar-ket's capitalisation at the start of the year, which is close to the average figure since tha

The attraction of raising funds through share issues might be expected to increase with the turning of tha UK Interest rate cycle, which has

raised tha cost of long-term bank money.

Analysts point out, however, that interest rates remain at an historically low level. In addition, there is a limited need for

Statistics released last week, show that UK industrial and commercial companies generated a capital account surplus of £4.7bn in the first quarter of 1994, and £4.78bn in the second

The figures demonstrate the

highest level of corporate liquidity since the late 1970s, a consequence of low interest costs and capital expenditure, and the fact that earnings are increasing at a faster pace than

By comparison, the first half of 1993 saw a £1.75bn capital outflow, although there was a £917m surplus for the full year.

As a result, there has been a sharp decline in the number of so-called "rescue rights

DIVIDENDS ANNOUNCED

issues," with the only substan tial example being Eurotunnel. Other large issues, from companies including Allied Lyons, Commercial Union, Reckitt, Williams Holdings and GKN. and to a lesser extent Lasmo,

tional item accounting for

44.8p. The company declared

an interim dividend of 1.4p

Analysts predict that the improvement in corporate cash flow will result in a substantial revival in takeover activity, since companies have recharged their balance sheets

have been motivated by acqui-

This would increase the flow of rights issues, since the scars of the late 1980s can be seen in companies' preference for using capital markets rather than banks to fund

M&A activity peaked at £27.2bn in 1989, but had fallen to £7.06bn last year. However, Hoare Govett is

forecasting a recovery to about £11bn this year. This should be matched by increases in the number of rights offerings.

Signet trims losses to £25.8m but warns on weaker sales trend

By David Blackwell

Signet, the jewellery group formerly known as Ratners, cut its interim losses slightly hut warned yesterday of a weaker sales trend continuing in the US and softer September sales in the UK.

City analysts cut their fore-casts for full-year profits from 520m to £10m, and the shares closed 3½p down at 28½p.

The pre-tax loss for the six months to the end of July eased from £26.9m to £25.8m. Included in the latest figures are trading losses of £4.65m at the Salisburys luggage and handbag chain, which was sold

vision of £1.5m. The group expects no further costs to arise from the dis-

last month, and a related pro-

The operating loss on continuing activities fell from £7.32m to £3.06m. Sales were flat at £375.6m, compared with

worldwide rights to the mar-

keting information database

£375.9m previously. Interest payments rose from £15.3m to

Mr James McAdam, chairman, said it was too early to say whether the softening US sales trend would make it more difficult for the group to trade its way out of debt as the Christmas trading season would determine the final

The group's attitude to a possible financial reconstruction remained the same as at the annual general meeting in

"All our effort has been directed at trading," Mr Mc-Adam said.

"If you do not have a cake in the first place there is no point in splitting it up." However, Mr Julian Treger,

an adviser to the UK Active Value Fund - a large holder of US dollar convertible preference shares - said yesterday that the capital structure was

Sep 91 1992 1993

arguably holding the company back. He added that the issue needed to be addressed in the interests of all shareholders. "The risk is, if they wait long enough there will not be a cake," he said.

Preference dividends have not been paid since early 1992. and arrears now stand at £78m.

£394.5m, although the group attributed most of the Improve ment to exchange rate more-

The group now operates 6t6 stores in the UK, mainly trad-ing as H Samuel and Ernest Jones, and 909 in the US, where jewellery sales rose by 5 per cent to £240.8m.

The closure of Ratners cut 102 stores from the UK total, the malo reason behind UK jewellery sales falling 7 per cent to £134.8m. UK like-for like sales were 3 per cent

Mr McAdam said the group's reorganisation of the UK side of the business was virtually complete. Signet is now com-pleting the refurblshment of nine H Samuel and five Ernest Jones hranches, and plans to refurhish up to 150 stores next

The basic loss per share was 10.5p (10.9p).

TI pays up to £19.4m for German acquisition

By Andrew Bolge

Tl Group, the specialist engineering company, has agreed to pay up to DM47.4m (£19.4m) for Technoflow, which makes flexible fuel carrying systems for European car manufacturers at plants in Germany and Spain.

Technoflow is being sold by Technoform, a private German engineering group based in Kassel, to Bundy, the sector of TI which specialises in fluid

carrying systems. Last year Technoflow made a pre-tax profit of £2m on sales of

at the year-end. TI is paying £5m for an ini tial 25 per cent stake and will acquire the remaining share capital in two equal parts in 1995 and 1996.

£17m. It had net assets of £6m

Mr Karl Caprano, the chief executive of Technoflow and the management have agreed to stay with the com-

	Current payment	Data of payment	Corres - ponding dividend	Total for year	Total lest year
Adwestfin	5.4†	Nov 25	5.2	7.5	7.2
Beazer Homesfin	1.8 🏟	Nov 18	-	1.8	-
Brightstone PropInt	1	Nov 3	-	-	•
DCS Groupfin	0.5	Dec 5	nil	nil	nit
Dev SecuritiesInt	0.1 ¥	Nov 24	nit	nä	ΠĬĬ
ErithInt	0.75	Nov 24	0.35	-	1
Frogmore Estsfin	13.2	Nov 1a	12.4	17	12
Globel §int	0.2	Nov 30	0.2	-	0.5
Greenacre §int	0.18	Nov 25	0.15	_	0.33
Hend' H'landini	1,4♥	Nov 10	1.4	-	5.8
MR Data M'mentfin	3.46	Nov 17	3.46	5.536	5.18
Quality Softwareint	1	Jan 12	_		1.25
Quayle Munrofin	a	Nov 4	3	a	2*
Regent Innsfin	3.65	Nov 12	· 2.25	5.4	2.25
Smurfit (J)	1.4	Jan 3	1.2306	-	3.74
Thorpe (FW)fin	2.2	Nov 18	1.87	3.2	2.87
UniChemint	2.5	Dec 30	2.2	-	6.5

product, Mind, from the receivers of Third Wave Network, the Hounslow-based software house, for £750,000 in cash. BEARING POWER International is raising £2m through a subscription agreement with Throgmorton Preferred Income Trust wherehy Throgmorton will subscribe for 2m preference shares at £1 each. BEAUFORD GROUP has sold Wade Training to Mr Annesley Renshaw, its managing director, for £119,000, including

BLAGG: Rights issue received ADMIRAL has acquirad acceptances in respect of 12.21m new ordinary shares (76.89 per cent). CHEMBING

acceptances to its offer for Kembrey in respect of 26.59m shares (97.02 per cent). The offer has now closed. ELIZA TINSLEY Group is pay-

ing £175,000 for JH Carter (Chains), a maker of chain and plastic sleeving into the industrial and DIY markets. EMERGING MARKETS Coun-

try Investment Trust has raised £10.5m, before expenses, in a placing of C shares, snon sored by Olliff & Partners. Applications for 17.42m C

NEWS IN BRIEF

shares, issued at 60p each, were received. PLANTATION & GENERAL Investments has sold the buslness of Presswork & Stsmpings, its suh-contract pres-

swork company, for a cash consideration slightly in excess of RANGER OIL now has control of 21.26m ordinary shares (96.6 per cent) in Union Jack Oil and the offer has heen declared unconditional. It will compul-

sorily acquire the balance of

Union Jack shares. RELYON GROUP has sold its foam manufacturing plant within Its Pritex subsidiary to SOUTH WALES Electricity has bought 250,000 of its own

shares at 810p. WATSON & PHILIP is spending about £3m in rebranding the 335 stores in its conve nience store network under the "Alldays" name, Its W&P Retall subsidiary will be renamed Alldays Stores.

This announcement appears as a matter of record only.

"Mirror Group" £245,000,000

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Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ♦For nine-month period. ‡Gross. &Irish currency. *For 10 months. ♥Second interim making 2.8p to date. £99,000 repayment of an intercompany loan.

CONTRACTS & TENDERS

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APPOINTMENTS ADVERTISING

The Auction Sitting shall be held at the premises of the Authority (3, Kasr El-Nil

Authority at the above address, against the payment of 250 US Dollars.

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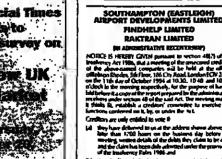
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1994 against presentation to the Depos

New York Life and St James's Place Capital create £100m venture

Weinberg to head 'vulture' fund

Sir Mark Weinberg, one of the leading figures in the UK life industry, is to chair a new company with £100m capital to acquire life companies, close them to new business and manage their existing funds.

The company is to be a joint venture with New York Life Worldwide, s subsidiary of the fourth largest life insurance company in the United States. It owns Windsor Life, which is aiready in this area of business in a smallar way, having acquired six life companies in the past ten years.

When the plan was origi-nally announced in November It was intended to link up with a bank or building society as a way into "bancassurance" the selling of financial products to bank or society customers through branch networks. This is now to be pursued sepa-

The main abareholders in the new company are St James's Place Capital, the investment company run by

Erith doubled

Erith, the southern building

materials group, yesterday

reported pre-tax profits more than doubled from £523,000 to

£1.23m for the first six months

Mr Bryan Castledine, chair-man and chief executive, said

the recovery in the new bous-ing market had helped profits

growth. However, activity in

the home improvements mar-

ket remained flat. There was

also a first contribution from

eight branches acquired last

They contributed 21.3m to

total turnover, which advanced 17 per cent to

240.6m (£33.5m). Earnings per

share improved to 1.88p

(0.75p) and the interim divi-

dend was increased from 0.35p

to 0.75p.

to £1.23m

midway



Sir Mark Weinberg: entering the closed fund business

acquisitions' progress

Sir Mark and Lord Rothschild, and New York Life, which is to transfer the closed fund business of Windsor Life.

Each will have a 30 per cent stake, while Scottish Amicable will subscribe £10m, with other institutions expected to contribute the remaining £30m.

Williams Holdings yesterday announced its fifth acquisition

in a year and also told institu-

tional investors that fiva

recent purchases had improved

their profits contribution by an

estimated £13m aince joining

Silvani, an Italian fire protec-

tion group, is being acquired for £16.5m. Mr Roger Carr,

chief executive of Williams

said Silvani was "an essential part of the jigsaw" in building

the group's fire protection operation into a global busi-

ness. It would add new prod-

ucts and markets, and provide

a solid base for further acquisi-

His comments came at an

institutional briefing, during

which Williams sought to set

By Peggy Hollinger

the group's stable.

tions in the sector.

Mr John Wybrew, the chairman of Windsor Life will be chief executive of the new company. He expected the first acquisition within the next six months or so.

Mr Nigel Rudd, chairman,

said Williams had evolved into

a focused industrial manufac-

turing group, serving three sec-

tors - fire protection, security and building products.

The shares added 7p to 344p.

Mr Carr gave a progress

report on five recent acquisi-

tions in each of the divisions,

which together had cost £200m

and had returned profits of

£19m. After reorganisation, at

a total cost of £16m, the busi-

nesses were generating an esti-

mated £32m. "And there are

further benefits to come in

Tha charges for Solvay

Woodcare, purchased for £84m

in July, would be slightly

higher than expected at £6m.

1996," said Mr Carr.

sis by Bacon & Woodrow, the actuaries, auggested thet within a decade 40 per cent of life insurers would be strug-gling to remain open. He thought small and medium-aizad mutually-ownad

Williams pleases with Development Secs returns to dividend list itself apart from the ranks of other diversified industrial

Davelopment Securities, the property group, reported a pre-tax profit of film profit for the six months to June 30 following its return to profit in the second half of the previous year, Last year's interim loss was £2.6m.

able, since they would suffer from their lack of access to

capital. The position of UK

subsidiaries of foreign compa-

nies which have failed to

achieve critical mass was also

The plan is a version of what

is known in the life insurance

sector as "vulture life" because

it depends on picking up life

companies which cannot sur-

vive on their own, and living

off the business they have

already acquired. Combining

the investments managed by

separate companies should

Rising costs of meeting regu-

latory atandards in selling

financial products against a

background of intensifying

competition have led many life

insurers to believe that that

number of life companies open

to new business will sharply

fall over the next few years. Earlier this week, an analy-

bring cost savings.

It is returning to the dividend list after four years with an interim payment of 0.1p from earnings per share of 0.4p (7.8p losses).

Turnover fell 37 per cent to £9.7m. However, last year's £15.5m included £12.1m from discontinued operations. Operating profits were £3.1m (£500,000 losses).

Net assets at the end of the period were £82.2m, or 28.3p per share, compared with £8.1m, or 23.1p per share, a year earlier.

help lift Adwest 21%

Acquisitions and a sharp rise in profits from its automotive side eoshled Adwest, which also has power systems and property divisions, to report a 21 per cent pre-tax advance for the year to June 30.

Group profits rose to £11.4m (£9.42m) on turnover up by £10.6m to £147.9m. However without the loput from the five companies acquired in the year - which contributed profits of £1.44m on turnover of £10.6m - group operating profits would have fallen to

£9.73m (£10.5m).

Operating profits on the automotive side grew 45 per cent to £5.04m on turnover up 10 per cent to £91.4m, while power systems fell 19 per cent to £3.14m on turnover up 5 per cent at 253.5m. Property profits slipped 6 per cent to £3m. On why antomotive had swung from profits 11 per cent lower in the first half to 45 per

cent ahead in the second, Mr Graham Menzies, chief executive, explained that France in the first six months had been "grotty"; by the end of the year it became "super". Some £42m of turnover is in France. The antomotive acquisitions chipped in £580,000 and in the first half the group had paid £350,000 dne diligence costs for companies it did not buy. On the positive side, the success of the Land Rover Discovery helped lift sales and improve margins and the ther-

ness had doubled turnover to £10m since acquisition. Slippage in defence demand lay behind the power systems fall. At the £22.2m rights issue in September 1993, defence accounted for more than 50 per cent of power systems

mostats business performed well. The Roussean jacks busi-

turnover. The acquisitions had cut that to under 30 per cent. The property side would be retained, though not developed - it helped pay the dividends, Mr Menzies said. A final of 5.Ap (5.2p) lifts the total to 7.5p (7.2p), payable from earnings of 10.4p (10.5p).

Acquisitions Frogmore shares up 25p as net assets rise 26%

Correspondent

Frogmore Estates yesterday surprised the stock market with a 26 per cent rise in net assets for the year to June 30. Shares rose 25p to 444p in response to figures which also showed a 54 per cent rise in pre-tex profits to £16.4m.

The company spent 240m on acquisitions during the year, bringing total expenditure to £155m since March 1992 Much of this was on retail properties, which now account for 25 per

cent of its property assets.

Mr Phillip Davies, managing director, said the company's retail properties had shown especially good capital growth over the year. "We have been very deliberate in our acquisitions, always looking for an angle rather than just picking up income-producing assets." he said.

Frogmore also has a £115m portfolio of trading properties, which are held for short-term gain and carried in the balance

sheet at the lower of cost or market value.

Investment in housebuilding joint vectures increased by £10m to £38m during the year and residential trading property assets now amount to sain. Mr Davies said the residential assets would be sold this year following refurbishment, although this should contribute to trading profits. Frogmore also plans to sell around 600 new homes this

year, against 689. Net rental income rose from £16.9m to £20.1m during the year, reflecting rents from acquired properties and additional lettings. Around \$2.2m annual income has been lost following early surrender of the lease on 180,000 sq ft of office space in High Holborn for £7m cash. The site is being considered for redevelopment.

Househuilding contributed a gress profit £4.6m against 23.1m last year. After a loss on sales of trading properties of £929,000 (£193,000 profit) and

£3.5m (£3m), operating profit for the year increased from

£15.6m to £20.4m. Net interest charges were higher at £5.6m (£5.1m) and taxation lower at £1.7m (£2.4m) following the release of f3m provisions. Earnings per share were 29.8p (21.1p). The final dividend is 13.2p (12.4p), making a total of 17p for the year,

COMMENT

Yesterday's pleasing increase in net assets will consolidate Frogmore's reputation as one of the canniest companies in the sector. A June year-end meant that yesterday's figures included the best of the rise in commercial property values, but the company has outper-formed the wider market. The acquisitions made over the last two years look well-timed. Even if the property market has gone off the boil. Frogmore's large portfolio of trading properties and interests in housebuilding add spice to the earnings mix. Yesterday's rise in the shares is fully justified.

Quality Software makes strong advance to £604,000

By Alan Cane

Quality Software Products' shares rose 10p to 391p yesterday, as the Gateshead-based accounting software developer more than quadrupled pre-tax profits from £143,000 to £604,000 in the first half of 1994.

The results will be welcomed by investors concerned about the health of the computing services sector in the wake of a series of disappointing results from other companies, especially in financial software.

It also suggests that QSP is on track with Universal OLAS, a large-scale accounting package which has cost the company about £16m to develop over the past six years.

It has now sold the package

to 19 clients at an average

Turnover rose 10 per cent to £7.27m (£6.61m). Earnings per share increased from 2.1p to 7.2p and an interim dividend of 1p is declared. Gearing has been reduced to 21 per cent from 32 per cent.

The company has continued to invest heavily in Universal OLAS with £2.3m committed last year. The product, a modu-lar system which runs on a broad range of computing hardware and software, is now virtually complete and naw developments have been initiated to create support for executive decision making and

group working. Mr Alan Mordain, chairman, said that good progress had been made in increasing sales of products and services,

expanding geographically and obtaining reference sites. QSP's US partner, Global

Software, has made its first sale of Universal OLAS to Avis in New York. It is expected that further partners will be announced within 12 months.

Dyson acquisition

As part of its diversification into ceramics and refractories, J&J Dyson has acquired Norton of Stoke-on-Trent's Gimson secondary kiln furniture and

chimney liner business.

The business, which is expected to make annual profits of about £250,000, has been bought through its subsidiary, Dyson Industries, at a cost of

CONTRACTS & TENDERS

ADVICE OF TENDER BY ABSTRACTS

ENEA - The Italian National Agency for New Technology, Energy and the Environment - with its head office in Viale Regina Margherita, 125 - 00198 Rome - telephone +39/6/85281 - cable ENEA-ROME, telex number 610183 - telefax number 85282777, calls a tender by public auction to provide the service of subscription to foreign periodical publications for the years 1995-1996-1997, excluding the services of receipt and control. ENEA has the authority of cancellation.

Award: art. 16 paragraph 1 letter a) decree law number 358/92.

Estimated amount: 2.2 billion lira a year. The bid has to be drawn up compulsorily in the Italian language and sent exclusively in a registered envelope to ENEA - Unità Coordinamento Procedure di Gara - Viale Regina Margherita, 125 -00198 Rome within 12.00 pm (under pain of exclusion) on the 14th November 1994.

Bids will be opened starting from the 16th November 1994 at 9.30 am at the ENEA Head Office.

Deposit: it amounts to 66,000,000 lira as envisaged by the law 10.6.1982 number 348. In case of a stand-by or insurance letter of credit, it won't be possible to benefit from the preliminary examination. The deposit will be returned after the award of the tender.

The list of the documentation needed, the necessary requisites and the formalities which have to be observed (under pain of exclusion), are indicated in the unabridged edition of the call for bids appeared in the Gazette of the Italian Republic, section II dated 29.9.1994 N. 228.

The call for bids was sent to the Office EC-Official Publications on the 23rd September 1994 which received it on same date.

Specific technical news, ENEA general specification contract and procedures to enter the bid can be requested from ENEA - Unità Coordinamento Procedure di Gara -Viale Regina Margherita, 125 - 00198 Rome, from Monday to Friday (9.00 am - 4.00 pm) and not later than 4.00 pm on the 26th October 1994.

ENEV

TAIWAN SUPPLY BUREAU TENDER ANNOUNCEMENT

Buyer: TAIWAN RAILWAY ADMINISTRATION (TRA) Purchasing Agent: TAIWAN SUPPLY BUREAU (TSB) 3, Kai Feng Street, 1st Sec, Taipei, Taiwan R.O.C. Tel: (02) 3110814 Fax: (02) 3610995

INVITATION NO.	TENDER OPENING DATE	DESCRIPTION OF SUPPLIES	Q'TY/UNT/CAR								
TSB-9432-130(1)	9:30am Nov 8 1994	i. Diesel Multiple Unit (DMU) ii. Diesel Railcar (DRC)	10 Units (30 Cars) 36 cars								

For further details, please refer to the Tender Invitation. The Tender Invitation is waiting to be taken back (fee US\$340) and welcome to participate.

THE PRIZE

David Thomas was a Financial Times journalist killed on assignment in Kuwait in April 1991. Before joining the FT he had worked for, among others, the Trades Union Congress.

His life was characterised by original and radical thinking coupled with a search for new subjects and orthodoxies to challenge.

In his memory a prize has been established to provide an annual study/ travel grant to enable the recipient to take a career break to explore a theme in the fields of industrial policy, third world development or the environment.

The theme for the 1995 prize, worth not less than £3,000, is: DOES FREE TRADE THREATEN THE ENVIRONMENT?

Applicants, aged under 35, of any nationality, should submit up to 1000 words in English on this subject, together with a brief c.v. and a proposal outlining how the award would be used to explore this theme further.

The award winner will be required to write a 1500 to 2000 word essay at the end of the study period. The essay will be considered for publication in the FT.

CLOSING DATE JANUARY 6 1995

APPLICATIONS TO:

ROBIN PAULEY, MANAGING EDITOR THE FINANCIAL TIMES (L) NUMBER ONE SOUTHWARK BRIDGE LONDON SE1 9HL

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COMPANY NEWS: UK AND IRELAND

Beazer sales rise helps lift shares 6% while it is too early to evaluate the outcome of the recent at the outcome of the recent at

Homes rosa hy more than per cent to 131p after Britain'e fourth largest housebuilder announced that sales had risen by a fifth since July I and had not been dented by the recent rise in interest

The company also announced better than expected pre-tax profits of £33.9m for the nine months to June 30. This compared with £37.8m for the 12 months to the end of

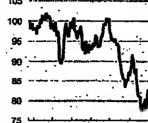
The City hed been concerned that the rise of half a percentage point in interest, rates might have unset the housing market recovery following comments by Tarmac on Tues-day that net reservations had

seen no sign of a dip since interest rates increased and volume sales are up by 20 per cent since June, compared with the corresponding 12 weeks last year."

The company is selling homes from 40 more sites than at the same stage last year following its £31m purchase of John Mowlem's housebuilding

Other large househullders yesterdey agreed that sales had not fallen since interest rates rose on September 12, although some said that the traditional autumn surge had been more muted than expec-

Tarmac, the country's sec-ond biggest housebuilder, had



said that its net reservations, after allowing for cancella-tions, had fallen to between 50 between 100 and 150 before the interest rate rise

Mr Victor Benjamin, Bea-

helieve that in the current market it is uncertainty over interest rates rather than the actual rates which unsettles

consumer confidence. "A further modest rate rise should not impact on sales, so long as the national recovery is Beazer, which was floated

earlier this year by Hanson, is paying a final net dividend of 1.8p – which it says equates to 5.4p for a full year. Earnings er share of 9.5p were equivalent to 12.7p for 12 months The company sold 4,015 homes over the nine months, at an average of £62,000 after sales incentives, against 4,805 homes sold in the previous 12

marginally to 13.3 per cent

The market had under-esti-

mated the strength of Beazer's performance, hence yesterday's bounce in the share price. Margins in particular have held up better than the company fore-cast when it was floated. A strong balance sheet, with about £60m of cash in hand after the Mowlem purchase, is a very healthy position. Pre-tax profits of £56m puts the group on a prospective p/e of just over 9, which still looks cheap. Longer term there must he some concern about what a volume bousebuilder does when the market eventually turns down - hence Tarmac's decision to reduce the propor-tion of capital employed in UK

Falling whisky prices cut **Burn Stewart to £4.2m**

By David Blackwell

Falling whisky prices cut profits in half at Burn Stewart Distillers in the year to July 3. Pre-tax profits fell from £8.12m to £4.19m on sales ahead from

£38m to £40.6m. Mr Bill Thornton, chairman, lescribed the year as "the most testing in the company's short history" following intense competition in the value-for-money

"Price pressure is doing serious damage to our profitabil-

Substantial changes bad been made in company strategy, with the focus on whisky bottled in Scotland. Cased sales in the UK and export

ahead by volume, and the company no longer depended on bulk sales or a small group of

"If they had sold at our 1991 bottled-in-Scotland prices profits would be at record levels," said Mr Thornton.

Of total sales by volume. only 16 per cent was accounted for by bulk exports - an area where the company feels reluctant to compete because of intense price competition.

Bottled-in-Scotland sales accounted for the rest, with 48 per cent going to own label customers and 34 per cent branded. While the overall reduction in average cased prices was 2 per cent, this con-

markets were 43 per cent cealed a cut of 11 per cent in own label prices.
Mr Thornton said there was a growing realisation that price discounting could not go

on forever, and he expected an

improvement next year. Operating profits fell from £9.66m to £5.79m, reflecting increased costs of £34.8m (£28.3m) following investments in sales and marketing

The pre-tax figure included a gain of £298,000 from a disposal. Interest payable rose from £1.54m to £1.9m. Earnings per share fell from 9.53p to 5.20p. The total dividend for the

year is maintained at 5p, including an unchanged final

MR-Data Management at £6.35m as orders slide

ware make

ice to tony

Pre-tax profits at MR-Data Management Group fell 27 per cent for the year to June 30, from £8.76m to £6.35m, because of order slippage and higher than expected restructuring

The group had issued a warning in July which resulted in a 19 per cent fall in the

man, said: "The effects of our reorganisation are complete and we are now in a stronger position to market our business services in the area of information manage

Turnover was flat at £40.52m (£40.79m). Earnings per share were 8p (10.6p) and a dividend

ehare price; yesterday the of 5.55p will be paid, 6.5 per shares rose 6p to 135p.

Mr John Redmond, chair5.19p. Cash halances were £4.3m at the end of the year. range of bureau services including large-scale laser

It also markets software for

tive, said restructuring charges hed hit profits at the document MR-Data, which operates in image processing division, the UK end US, provides a which made a £480,000 loss. Both the document filming and the map scanning busine printing, computer output on microfilm and document scanning and transcription.

were now trading on an appro-priate cost base, he said. Three orders for the company'e Memex information

Mr Mike Elliott, chief execu

free-form text retrieval.

retrieval software had been delayed. One, for the Netional Criminal Intelligence Service, had now been secured; the other two were expected to be concluded in the first half of the current year.

The group is exploring moves into CD-ROM as an extension of its computer outness in the UK and US.

Examiner for Aer Lingus arm

By John McManus in Dublin

Aer Lingus, the Irish Rennblic's national airline, has put Team Aer Lingus, its aircraft maintenance subsidiary, into examinership, the equivalent of administration under Irish law. The appointment of an examiner to the company wblcb employs 1,800 people, 1,200 of whom have been laid off already, follows the breakdown of negotiations between management and trade unions on restructuring.

Team Aer Lingus provides line maintenance for the Aer Lingus fleet but the hulk of its business comes from aircraft overhanl work for other airlines. The dispute is over the introduc tion of new work practices

Team bas accumulated losses of olmost I£58.5m (£57.8m) and a deficit in its balance sheet of l£18.3m. The failure of the examiner ehip process would almost certainly result in its liquidation leading to the calling in of 1£22.8m of loans to Team guaranteed by Aer Lingus. Team also owes IE41.6m to its parent.

The examiner has three weeks in which to report to the Irisb bigh court on whether he believes a survival plan can be worked out.

FW Thorpe rises 51% to £2.51m

FW Thorpe's pre-tax profits for the year ended June 30 rose from £1.66m to £2.51m, an increase of 51 per cent, Turnover at the electronic and electrical equipment company was 21 per cent ahead at £19.5m

Earnings per share jumped to 13.7p (8.6p). The proposed final dividend is 2.2p (1.87p) for a 3.2p (2.67p) total.

Kier grows to £6.8m Kier, the housing and construction group bought by its employees from Hanson in July 1992, announced pre-tax profits up from £5.6m to £6.8m

for the year to June 30. Turnover of continuing operations slipped to £500.2m (£512.2m). Earnings improved During the year Hanson's

remaining 10 per cent of ordinary and preference shares was bought out for £8m.

Ouavle Munro rises Quayle Munro Holdings, the financial services group, reported pre-tax profits of £670,000 for the year to June 30 against £540,000 for the previ-

ous 10 months. Revenues more than doubled to £1.81m (£804,000). Earnings per share worked through at 11.78p (3.71p) and a proposed final dividend of 6p (3p) raises the total to 9p (6p).

Net asset value per chare

rose by 48 per cent over the year to 234p (158p). Baillie Giff Japan

Baillie Gifford Japan Trust saw its net asset value fall by 3.3 per cent from 792.8p to 767.4p over the year to August 31. Net losses for the 12 months to the end of August were £388,886 (£168,892) for losses

per share of 3.54p (1.54p). Reflex in the red

Reflex Group, the Dublin-listed software and computing services company, reported interim pre-tax losses of i£1.23m (£1.2m) et June 30. The

figure compares with profits of 16316,000 last year.

The loss includes an exceptional cost of 16313,000 incurred with the compared with t with the group's withdrawal of a number of unprofitable software products from the mar-ket. A further IS220,000 in costs related to the closure of the operation.

Losses per share were 6.1p (1.7p earnings). There is no dividend.

Global ahead

Global Group, the USM-quoted meat trading and shipping services company, reported pre-tax profits ahead at £715,000 for the eix months to June 30, against £678,000. Turnover was up from £40.6m to £41m.

Earnings per chare were static at 0.38p (0.37p) and the interim dividend is unchanged

Greenacre up 10% Greenacre Group, the nursing

home operator, reported pre-tax profits for the six months to July 31 up 10 per cent from £794,000 to £873,000.

The figura was aftar increased net interest payable

of £165,000, against £45.000.

Turnover for this USM-quoted company rose 36 per cent to £4.52m, against £3.32m. At the end of the period the number of beds in operation and under development totalled 623 (575).

Earnings per chare were 0.35p (0.32p) and the interim dividend is raised to 0.16p

DCS jumps to £0.4m

Shares of DCS increased by 13 per cent to 68p after the computer software supplier reported an 84 per cent advance in profits and a return to dividends,

Turnover in the 12 months to June 30 rose to £6.38m (£5.55m) including £562,000 from two acquisitions made in the final three months. Pre-tax profits jumped to

£426,144 (£231,406) and the company returned to the dividend list after an absence of five years with a recommended payment of 0.5p. 4.32p (2.69p).

Regent Inns 73% up Regent Inns, the pubs and restaurants operator which came to the market in April 1993, announced a 73 per cent increase in pre-tax profits from £1.34m to £2.31m in the year to

July 2 Turpover advanced to £15.3m

Earnings per share worked through at 13.1p (10.5p) and a proposed final dividend of 3.65p (2.25p) makes a total of 5.4p (2.25p).

Brightstone Props Brightstone Properties, the commercial property investment and management company, yesterday announced its first results since it gained a

listing on March 24. in the 14 weeks to June 30 net property income came to £327,793. Net interest took £117.100, after which pre-tax profit amounted to £106,264. An interim dividend of 1p has been declared from earn-

Filtronic prospectus

The pathfinder prospectus has been published for Filtronic Comtek, a manufacturer of sophisticated micro-components for the mobile telecommunications industry, which is coming to the market next

The prospectus is expected to he published on October 18 when the shares will be priced, with dealing commencing on October 24. The float, which is expected to carry a market capitalisation of 160m, is being undertaken through a private placing that will aim to raise £25m, of which £14m will be

HCG Lloyd's Trust

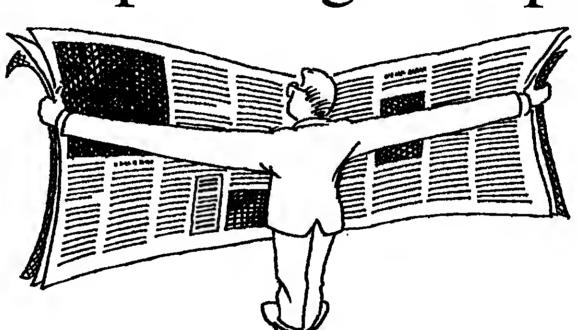
HCG Lloyd's Investment Trust, which was floated in December last year as a vehicle for limited liability investment at Lloyd's, announced a net asset value of 89p per share as at the

June 30 half-year end. Total net assets stood at £57.9m on June 30 against 266.1m on December 31.

At August 31, the date used by Lloyd's for revaluation, the value of the portfolios had increased to £58.9m, giving a net asset value per share of

97p. Net revenue was £658,000, to give earnings per share of 1.01p.

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By Kenneth Gooding. Mining Correspondent

Norilsk, the world's biggest nickei producer, could not afford to renovate its Pechenga smelter, one of the world's biggest polluters, in Russia's Murmansk region, near the Finnish border, Mr Mars Altibaev, logistics manager and the company's representative in London, said yesterday.

He said that was the main reason Norilsk, still 48 per cent owned by the Rossian government, was seeking foreign

The company has retained a Scandinavian consortium including Elkem and Kvarner Engineering of Norway and Boliden of Sweden to carry out the Pechenga reconstruction, which Mr Altibaev said would cost a minimum of US\$200m and up to \$1.5bp, depending on what investment the company

Pecbenga spews out about

284,000 tonnes of sulphur dioxide a year. Some falls on the nearhy town of Nikel but prevailing winds take twothirds across Finland and Norway where the acid rain it causes has severely damaged

Western observers suggest that the smelter, established in the 1930s and renovated in the 1940s, has only a few years of life left. Pechenga produces about 100,000 tonnes a year of nickel in matte (an intermediate material), which is sent to Montshegorsk for refining.

Mr Altibaev said Norilsk was suffering from cash flow difficulties because the central government took half the nickel output and paid in roubles at the domestic prics - 47 per cent below world prices. The government also kept most of the income from its platinum group metals sales. The company's inability to pay on time had caused strikes in the May to August period when employdays. However, management had reached a compromise agreement with the trade unions that should prevent future strikes.

Norilsk claims, in documents prepared for presentations to London financial institutions today, to account for 21.2 per cent of world nickel output; 3.2 per cent of copper production; 18.9 per cent of cobalt and 42 per cent of platinum produc-

Mr Altibaev said Russian nickel exports to the west would be about 100,000 to 105,000 tonnes this year, similar to 1993 levels. If nickel prices rose, shipments would increase next year. He indicated that Norilsk's copper production, once about 400,000 tonnes, would be less than 300,000 tonnes this year of which up to 100,000 would be exported. He would not comment on platinum or cobalt production and exports.

Sugar deficit put at 1.8m tonnes

By Deborah Hargreaves

The world is expected to face another deficit year in sugar supplies after a worsening in prospects for this year's crop. according to the latest report by E.D. & F. Man, the UK commodities house. Sugar produc-tion is forecast to be 110.7m tonnes for the next crop year (1994-1995) leaving a shortfall

tight after the unloading of stocks in the current crop year when production of 109.03m tonnes led to a deficit of 2.2m tonnes. The two deficit years come after 12 years' of production surpluses with supply tightness already pushing prices higher.

A poor sugar crop in China and crop difficulties in Cuba combined with India's desire to increase imports and rebuild World supplies are already stocks could all contribute

towards pushing prices higher. Man expects India's output to reach 11.6m tonnes with consumption at 12.1m tonnes, leading to imports for next year at similar levels to this year.

China's cane crop has been badly damaged by flooding this year and stocks are dwindling. Man's estimate for Cuba's crop next year is 3.5m tonnes 500,000 tonnes below this season's level pushing the country out of the top ten producers.

Australian wool prices nosedive

Australian wool prices nosedived at sales this week after soaring since the start of the 1994-95 season, reports Renters from Sydney. But industry officials said the mar-

ket remained well supported. The newly reweighted eastern Australian market indicator had soared to an end-week

COMMODITIES PRICES

high of 829 cents a kilogram (clean) from 681 cents at the start of the current wool season on July 1, before slipping slightly last week to close at 808 cents.

But at the Newcastle and Melbourne auctions this week the indicator fell by 37 cents to 771 cents on Tuesday, and traders were expecting further retrenchment as the market entered its period of peak offer-

This is the correction everyone has been waiting for as the market has been rising so quickly," suggested Mr Peter Klein, assistant director of the Wool Council of Australia.

Monarch opens Venezuelan gold mine

By Joseph Mann in Caracas

Monarch Resources. company registered Bermuda, has opened the first underground gold mine to be developed in Venezuela for

five decades. The company, whose shares are traded on the London and Toronto stock exchanges, invested about US\$25m in the new mine, called La Camorra, located in Bolivar state.

It expects La Camorra to produce around 220kg (7,070 troy ounces) of gold a month. Reserves of ore at the mine site are estimated at 540,000 tonnes with a gold content averaging 22 grams a tonne, according to company offi-

Exploration at the site began in 1988 and construction in 1992.

operations in Venezuela since 1987. total of \$80m in gold

At the same time, Canada's Placer Dome, which has identified sizeable gold reserves at another site in Bolivar state, Las Cristinas, announced in Vancouver that it was raising its estimate of gold resources at the property from 7.7m troy ounces to 8.6m. The Canadian company is studying the development of an open pit mine at Las Cristinas, which could yield about 6m ounces of gold.

International companies have expressed considerable interest in Venezuela's gold mining potential. However. potential investors complain about an outdated law covering the mining sector and ahont controls on foreign exchange activities established in June of this year. Before exchange controls

were imposed, a private Venezuelan gold mining association estimated that investment in gold exploration and mining could reach \$142m this

Taiwanese cast their nets wider

Pollution and overfishing has hit local catches, writes Laura Tyson

ishmongers at Keelung port's bustling fish mar-ket hawk scaly wares ranging from imported Norwegian salmon to Pacific tuna and squid caught off the Falkland islands.

Pollution and overfishing of nearby waters has forced Taiwanese fishermen to scour ever more distant shores. The catch of neighbouring China nearly tripled from 1981 to 1990 to become the world's higgest fisheries producer.

Taiwan will soon sign an accord with the 15-nation South Pacific Forum allowing its fishermen uniform access to waters controlled by those countries, according to the country's ministerial-level Council of Agriculture. The South Pacific is an important fishing ground for Taiwan, especially for tuna and skip-

Forum members are Australia, New Zealand, Papua New Guinea, Western Samoa, Fiii. Vanuatu, Kiribati, the Marshall Islands, the Cook Islands, Tonga, Tuvalu, Nauru, Nine Island, the Solomon Islands and the Federated States of

Since the United Nations

Taiwan has encountered difficulties in securing fishing grounds, especially from countries with which it does not have diplomatic ties. In 1989 the quasi-governmen-tal Overseas Fisheries Develop-

switched recognition from Taipei to Beljing in 1971,

ment Council was set up to negotiate fishing rights and help settle an escalating num-ber of fishing disputes. The government has already secured fishing rights within the 200-mile coastal zones of South Africa, Tuvalu, Tonga, Solomon Islands and Marshall Islands, all countries with which Taiwan maintains diplo-

Commercial fishing agreements have so far been reached with over 20 countries or territories, of which those with Indonesia, India and the Falkland Islands are the most important. Talks are under way with several other countries including Vietnam and

matic relations.

Although Taiwan does not appear in statistics compiled by the United Nations' Food and Agriculture Organisation, it ranked the 18th among fishing nations in 1990, and falls

tion of both tuna and squid. Govarnment efforts to curh growth in the domestic fishing industry cut the total catch to 1.317m tonnes in 1991 from a 1990 peak of 1.455m. But production has risen since.

Taiwan, a major fish exporter, sold just over a quarter of its catch overseas in 1993. Tuna dominated exports and the biggest markets were Japan, Thailand and the US.

ish imports have grown to meet increased domestic consumption resulting from economic growth Official figures show that Taiwan's imports more than doubled over the past decade. Unofficial imports from China are also on the rise. Taiwanese fishermen either pick up their illicit cargo from Chinese ports or buy the fish from Chinese boats at sea and smuggle it into ports such as Kee-

With nearby waters depleted. nearly 60 per cent of the 1993 catch came from distant seas. Tuna caught in distant seas through long-lining jumped 80 per cent in 1993 from 1992, Last year's catch of squid, caught

within the top five in produc- hy a type of hook-and-line method called zigging, climbed 22 per cent. The two species combined comprised one-third of the total catch last year. Despite Taiwan's pariah din-

lomatic status, which prevents it from joining international organisations, the government generally complies with international maritime and fishing conventions, For instance, it banned whaling in 1983 and in 1993, it outlawed drift net fishing following a United Nations resolution against the practice. As competition grows flercer

for fewer fish, Taiwanese fishing boats have encountered numerous disputes over fishing grounds from the South China Sea to the South Atlan-

.

Recognising the problems of overfishing, the government in 1989 instituted a policy of try-ing to contain growth of the fishing industry. Through restrictions on boat-building and a boat buyback programme Taiwan's fleet was cut to 28,880 vessels last year from peak of 32,340 in 1990. But remaining boats and those which are being built are more sophisticated and thus have a higher catching capacity.

MARKET REPORT

Gold traders discount Russian export move

A headline indicating that it could get, and gold was one Russia intended to stop export source, while it would take ing GOLD sent the precious metal briefly to \$400 a troy ounce yesterday. Once dealers read the accompanying story, the price swiftly dropped back to close in London at \$395.50. up 10 cents.

Mr Valery Skripchenko, head of the scientific and technical department at Russia's Precious Metals Committee, said: We will set up a mechanism before the end of the year under which it will be unprofitable to sell gold abroad but it will pay to sell it all domestically".

Analysts argued that Russia needed all the foreign currency

many years to develop a domestic gold market. Also Russia had not been a substantial seller of gold in the west this year, Mr Skripchenko said that Russia exported 6.6 tonnes of gold in the first five months of 1994 compared with 21 tonnes in the same months last

Substantial selling was seen when gold reached \$398, dealers said. One analyst suggested that it was significant that gold could not hold on to a move through \$400 despite the apparently hullish news from

At the London Metal

ended the day on a firmer footing following sprees of speculative buying and short-covering. The three months delivery COPPER price briefly hit a high of \$2,578 a tonne but did not have enough upside momentum to trigger stop-loss nuying orders hovering just above that level, dealers said. It ended the day trading at \$2,564 per tonne, up from Tues-

Exchange most hase metals

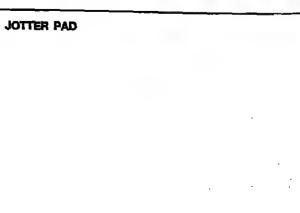
day's \$2,558 close. Early Japanese buying and news that power to Alcoa'a Portland smelter in Victoria, Australia, would he trimmed and could restrain production helped to underpin the ALU-MINIUM market. The invest-

ment fund and consumer buying that encouraged took the three months price to a high of \$1,632 a tonne; hut it slipped back to end at \$1,675, up \$13. Commodity London Exchange COFFEE futures ended weaker but off lows in sleepy London trade as many investors retreated to the sidelines for lack of news, traders

"The market is looking to stabilise around current levels," said one dealer, adding that it did not want to stray too far below \$4,000 a tonne because of the continuing uncertainty about Brazil's weather conditions. Compiled from Renters

BASE METALS	Precious Metals continued	GRAINS AND OIL SEEDS	SOFTS	MEAT AND LIVESTOCK	No 8 571 Set by ALATIN
Constant Constant	Sett Day's Deek price change High low left Vel.	Set Day's Low int Vel	SOFTS	Sett Dary's Open	ACNOSS 1 Take in the implications of the little book (6) 1 Take in the implications of the little book (6) 1 Take in the implications of the little book (6) 1 Take in the wood (8) 2 Take in the wood (8) 2 Take for a human trunk and a head found in the wood (8) 3 They look black when ons walks off angrily (8) 12 How the camper gazed out at one? (8) 13 The Foreign Office? (9) 14 Put on the list that's to go back to the benefactor (7) 20 Isn't there an index of the famous? (7) 21 Can but don't ramain rooted to the spot (4) 25 Awakens and takes a turn among the flowers (8) 26 A liking for the song the convicts are singing? (2) 27 They aim to be among one's best friends (8) 28 Inother by way of being a wet blanker? (8) 29 Is mother by way of being a wet blanker? (8) 29 Is mother by way of being a wet blanker? (8) 20 As he turns round, taking off the coat (8) 21 How the sky is when the
Open Int. 213,756 Total daily turnover 61,220 ■ LANE AM Official £/3 rate: 1,8777 LME Closing \$76 rate: 1,8768 Spet1,5760 3 mins:1,5738 0 mins:1,5788 8 mins:1,5850 # High GRADE COPPER (COMEX) Day's Open Open	Cate Cate	Mar 105.0 Apr 221.5 1.3 225.0 221.5 1,100 78 May 240.0 +2.5	Cot 12.51 -0.03 12.52 12.50 12.50 7.389	Brent Blend (kinter) \$16.44-6.17 +0.085	28 They aim to be among one's best friends (8) 29 Is mother by way of being a wet blanket? (6) 30 As he turns round, taking off the coat (8) ARCHER SELIECTOR VILVUUN XERA
PRECIOUS METALS # LONDON BULLION MARKET [Prices supplied by N M Rothschild] Gold (Troy cz.) S price 2 equiv. Close 385,25-395,75 Opening 397,40-397,80 Morning fb: 251,894 397,50 Afternoon fb: 250,982 396,25 Dey's High 396,10-396,50 Dey's Low 385,25-393,75 Provious close 395,20-395,80 Loco Loh Meer Gold Lending Rates (Vs USS) 1 month: 4,52 S months 4,58 1 months 5,18 5 months 5,18 5 months 5,18 5 months 750,00 3 (exophis 366,30 576,85 6 months 372,85 585,00 1 year 386,16 602,25 Gold Coine S price £ equiv.	NATURAL GAS NYMEX (10,000 rombu. \$/mmbu.)	Cotton Liverpool-Spot and Shipment sales emounted to 237 tonnes for the week ended September 23 against 85 tonnes in the previous week. Improved demand brought moderate purchases matrly in Central Asian and American descriptions. CIS growth made some headway.	Nat	Tin (New York) 250.5c Cattle (five weight)*** Cattle (five weight)** Cattle (five weight)* Cattle (five weight)** Cattle	JOTTER PAD

CROSSWORD



LONDON STOCK EXCHANGE

MARKET REPORT

Fed decision encourages recovery in blue chips

By Terry Byland, UK Stock Market Editor

The decision by the Federal Reserve to leave its key interest rates unchanged touched off the expected technical rally in the UK stock market yesterday. Led forward by firmness in bond markets and by a spectacular return to a premium on the December stock index future contract, equities rebounded sharply. closing just under the best of the day after Wall Street opened the new session with a further gain of 20 Dow points.

There was no great increase in trading volume, bowever. Share gains were mostly moderate, but there were market hints of impending bid moves in the pharmaceuticals and insurance sectors.

After touching 3,039.3 in early

dealings, the FT-SE 100-share Index trod water for most of the day, rallying to close at 3,038.7, a net 30.2 higher on the session. A substantial rise in durable goods orders in the US, while not taken entirely at face value in London, indicated further strengthening in the US economy.

The Fed's decision against a rate change left markets to continue

worrying about the timing and direction of global interest rates, with today's meeting of the Bundesbank at the top of the list of concerns. Some analysts argued that the impending elections in both Germany and the US may render their respective central banks less anxious to act on interest rates for the time being.

Two relatively small trading programmes were reported, perhaps linked to the strong upswing in stock index futures which spurred activity in the blue chip sectors. The broader market was also firm, albeit less active. The FT-SE Mid 250 Index regained 16.3 of its recent loss to close at 3.533.8.

Seaq-reported trading volume increased only slightly, from 545m shares on Tuesday to 575.5m yesterday. Non-Footsle trading made up around 58 per cent of the day's total, a relatively high percentage and an indication that some private investors may have re-entered the

Retail, or genuine customer, business in UK equities returned a value total of £1.38bn on Tuesday, confirming once again the presence of the big institutions, which are believed to have been sellers of stock during the recent shakeout.

Dealers believed that, barring any

unexpected move by the Bundes-bank today, the recovery in the London stock market has further to run. The outlook for company profits and dividends is thought to have turned less confident, however, and there is some uncertainty as to how far the Footsie can run before the year-end, and whether it can meet the more optimistic of the forecasts

from City analysts.

The brighter mood in equities. which was also buttressed by the outcome of the auction of £2bn of British government securities, brought the focus back on to individual stocks, rather than to factors influencing investors across the full range of the market.

Not all were favourable. Wellcome met selling pressure in spite of the company's assurances that it had taken steps to meet comments

tration. Most other blue chip dollarinfluenced stocks performed well.

however. Among the consumer and retail sectors, which have taken a pounding over the past week, store shares were generally firmer, the dull spot being Sears, which was still upset the half-time trading report. Banking stocks moved higher with

But analysts were wary of suggesting that the stock market had made a genuine and lasting recovery from the weakness of the past fortnight.

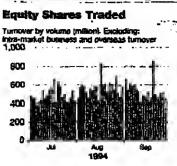
Friday afternoon will see the end of the third quarter of the year, and the next two trading days could well bring some window-dressing operations by professional fund



M Key Indicators indices and ratios



1 Gas Distribution +2.5 Retailers. Food



FT Ordinary Index FT-SE 100 Fut Dec +38.0 10 yr Gilt yield

Norst performing sectors Health Care ... Other Financial FT-SE SmallCap Ex IT

Gas warv ahead of meeting

There was a sudden rush of nervous covering in British Gas shares, which delivered one of the best performances of the FT-SE 100 constituents ahead of today's crucial strategy meeting at the Queen Elizabeth II conference centre at

Analysts described today's meeting, which runs from 8.30am to noon and will be

Stock Index futures advanced

volume, with premiums to the

cash market at times widening

3022.0 3056.0 3078.0 3060.5

strongly yesterday in Improving

attended by analysts and fund managers from across the globe, as possibly the most important since the group was privatised in 1986.

Dealers said British Gas

shares have risen strongly in recent sessions and especially yesterday as some institutions underweight in the stock moved into the market to try to reach level weightings

ahead of the meeting.
"It has been quite clear for some time that Gas will set out a progressive dividend policy at the meeting, as well as outline the way ahead for the company after break-up forced on it by the authorities," commented one specialist.

At the close British Gas was 9% higher at 299%p after turnover of 5.8m shares.

Wellcome hit

Pharmaceuticals group Wellcome wilted under waves of selling from institutions after news that the US Food and Drug Administration had issued a written warning to Wellcome about production problems at its US manufactur-

ing plant in Carolina. The news was badly received in the stock market, where Wellcome shares, huoyed recently by persistent talk that the company could be the target of an overseas bid or a

merger with one of the UK pharmaceuticals companies, lost 19 at 650p, having fallen to 647p at one point. Turnover in Wellcome was a heavy 7.6m shares, the highest since mid-

Steel rides high

British Steel continued to strongly outperform the market, climbing 6 to 171%p as investors took a very positive view of the company's huoyant

trading prospects. A hig US securities house, said to be Goldman Sachs, did most of the day's more aggressive bidding and 32m shares changed hands as the stock

TRADING VOLUME

Major Stocks Yesterde

BAAY BAAY BAAY BET BECC BOCT BPE BPB Incis. BT BPP Braid. BT BT BPP Barot of Sec Derchapt Beautiful Beauti

Burton Catto & Wire!

Da La Fauet

2.400 S20-1-2.400 S20-1-2.400

North America. that US huyers of the stock. having run down their portfo

airlines moved their trans-Atlantic fares down into line with the recent special offer from NorthWest Airlines. Only 1.4m shares were dealt

which are widely expected to make gloomy reading. Conversely, BAA has taken beart from the air ticket reductions, advancing 9 to 487p on the expectation of growing passenger volume. Its September traffic figures are due out on

NEW HIGHS AND LOWS FOR 1994

NEW HOME pag.

SPECHTORS (1) GEDS MAW, DISTRIBUTORS
(1) REA, ELECTRIC & ELECT EQUIP (2) Notice
Pr. 103, Throse (FM), ENCONEMERING (1) Bri.
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(6) Barr (AG), Linker Park, INVESTMENT
TRUSTES (2) LERBINZ & HOTTELS (8) British
Soots, Norman Can. 68401, Zettin,
RTALETES, GENERAL (1) Sylo, TEXTILES &
APPAREL (1) Wessen, TRAMER-OFT (2) Applied
Charlyston, Qo-Aread.

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NEW LOW'S (6).

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TRANSCE SEE, VENEZIES (1) AV.

EXTRACTIVE BIOS (1) BIOCH, FOOD MANUF
(1) DAVO HAL, BAYESTARDIT TRASTS (7)

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to 3.2m. Switching from British

Petroleum to Shell and evi-

dence of renewed US selling of BP left the stock a poor performer in the London market at 398p, down 2, after 396p. News of the £58.4m rights

issue saw Unichem tumble 22

British Aerospace declined 4 to 464p against the general trend. The company's name as been linked with Fokker. of the Netherlands, over the development of a new 120-sea-

ter plane. But the main talk among traders was the possihility of an imminent takeover by the company, with VSEL up 5 at 973p, said to be a likely Smiths Industries dipped 5 to 427p following a large sale order by S.G. Warhurg at 422p,

and Lucas industries also went in the opposite direction to the market in very beavy turnover, easing 2 to 194p on 10m Better than expected results

triggered good support for Beazer, the househuilding group, whose shares settled 8 higher at 131p.

Among diversified industrials, Tomkins had another busy day with 6.4m trades leading to a rise of 9 in the share price to 218p as the market took advantage of the clearing of a major stock overhang. Williams Holdings rose 7 to 344p following yesterday's presentation to

ture after a trading statement from the group on Monday disappointed the market, moved sharply ahead after a leading broker urged investors to huy

Bass jumped 12 to 526p in trade of 2.4m, when Smith New Court suggested that investors, and income funds in particuhealthy dividend expected with the group's final results. Bass made an interim dividend paymeot of 6.6p and Smith New Court is expecting o dividend of 14.4p at the end of the year. Favourable results from property group Frogmore Estates not only boosted the

cbeered several other stocks in the sector. The shares responded by racing 25 ahead to 444p. A recommendation from Lebman Brothers boosted BAT

Industries, which finished 11

company's shares but also

ahead at 423p. Hotels group Forte, which reports figures today, put on 2 at 219p ahead of today's figures. Vague talk of a rights issue announcement with today's figures was heard early in the session, putting pressure on the stock. The talk had faded by the second half.

The market was disappointed with figures from jewellery group Signet. The decline in the US market was of particular concern to analysts and several brokers downgraded full-year profits expectations by around £10m to £16m. The shares retreated

MARKET REPORTERS: Steve Thompson. Joel Kibazo. Jeffrey Brown.

and Conorm

CROSSKIN

30 CONSUMER GOODS(M)
31 Breveries(17)
32 Spirits, Wines & Ciclers(10)
33 Food Merufacturers(23)
34 Household Goods(13)
35 Health Cars(21)
37 Phermaceusicals(12)
28 Tobacco(1) 40 SERVICES(221) 41 Distribution(31) 60 UTRJTES(36) 62 Electricity(17) 64 Gas Distribution

Open 9.00 FT-SE Mid 250

EQUITY FUTURES AND OPTIONS TRADING The ET-SE 100 December contract pushed ahead steadily throughout the session, moving up from an opening

FT-SE 100 INDEX FUTURES (LIFFE) 225 per full index point Open Sett price Change High +38.0 3085.0 3017.0 3080.5 3078.0 14388 50056 III FT-SE MID 250 INDEX FUTURIES (LIFFE) \$10 per tull index point

Dey's Sep 28 Sep 28 Sep 23 ago

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3520.0 3563.0 +24.0 3650.0 3620.0 FT-SE MED 250 BADEX PUTURES (OMLX) £10 per full Index point

FT-SE 180 INDEX OPTION (LIFFE) ("3038) £10 per full index point

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FT - SE Actuaries Share Indices

FT-SE 160
FT-SE Mid 250
FT-SE Mid 250 ex Inv Trusts
FT-SE-A 550
FT-SE SmallCap
FT-SE SmallCap
FT-SE SmallCap

10 MINERAL EXTRACTION(18) 12 Extractive Industries(4)

15 Oil, integrated(3) 16 Oil Exploration & Prod(11)

20 GEN MANUFACTURERS(200

21 Building & Construction(33) 22 Building Metts & Merche(32) 23 Chemicals(23) 24 Diversified Industrials(18)

25 Bectronic & Elect Equip(34)

28 Engineering(7) 26 Engineering(7) 27 Engineering(7) 28 Printing, Paper & Polig(26) 29 Tentios & Apperei(20)

30 CONSUMER GOODS (87)

FT-SE Actuaries All-Share

FT-SE-A ALL-SHARE

day of 3,062 by mid-afternoon, The contract closed at 3,056, up 38 points. At this level the premium to the cash low of 3,017 to a best of the market was 17,3, with the fair value premium around 19. Trading volume was little Low Est, vol Open int. better than average, reaching 13,453 contracts, up from 10.453 on Tuesday, But

dealers said there was plenty of broad based support. On a number of occasions the premium to the cash market widened to 24 points, the best since mid-August, as stock futures attempted to provide cash equities with a strong lead. But at these premiums the cash market

showed a marked reluctance

to follow, said dealers.

Activity was again mostly in the hands of locals. Some traders thought institutional business could soon start to return - possibly next week once third-quarter book Traded option turnover eased to 30,859 lots, down

3,711 on the day. FT-SE and Furn FT-SE volume accounted for 13,759 of the total, British Gas (4,073 lots) and Hilledown traded stock options. The UK Series Div. Earn. P/E Xd adj. Total yield% yield% ratio ytd Flatur ytd Fletum

GREEN GROWTH GLICH GROWTH HERE (Fig. a) with Hammon Hammon Hammon Growth Hammon 19.31 101.59 1311.40 17.27 50.30 1184.62 26.35 43.71 1416.91 24.11 44.96 1398.38 17.72 49.06 1190.71 Dey's Year Div. Earn P/E Xd adj. Total Sep 28 chge% Sep 27 Sep 28 Sep 23 ago yield% yield% ratio yat Return +0.5 2844.87 2846.01 2866.24 2310.20 8.46 5.18 24.56 81.42 1068.32 +1.3 4620.18 3862.07 4018 15 3167.90 8.15 5.03 24.59 86.24 1124.04 +0.2 2865.86 2576.18 2893.58 2290.00 3.87 8.85 21.29 85.00 1057.58 +1.0 1905.28 1828.85 1807.48 1885.90 2.18 ± 38.03 1113.50 5.07 23.88 81.34 968.81 5.13 25.75 25.18 531.37 4.93 24.77 65.15 874.65 4.33 28.07 76.15 1048.44 6.13 23.41 80.60 932.07 6.56 18.14 57.28 940.06 3.97 4.93 24.77 65.15 874.65
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Peons Foreign & Col. LT, Fortet Gen. Accident General Bect.† Chaset 4444

Beid Wines Index (35) M Regional Indicas

On the back of firm steel

broke through to a new high

for the year.

prices and expanding produc-tion - output could rise by 5 per cent this year - the shares have outperformed the market by 12 per cent over the past month and hy 34 per cent on a 12-month basis.

US production is due to expand very strongly next year and new technology looks set to make British Steel one of the cheapest producers in The talk among analysis is

lios this year, could soon be in British Airways continued to lose ground, shedding 5 to 329%p as four other major US

but the stock was clearly out of favour ahead of next week's traffic figures for September,

October 13. Shell Transport came in for keen support after a profits upgrade by Nomura, the stockbroker, whose analyst Mr Nick Clayton raised his current year profits estimate to \$3.85bn. The Nomura analyst cited evidence of petrochemicals prices and

Tomidas (217)

(*659) Option

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Traininger (*87) United (*1106)

rese: (1) Sherwood, TRANSPOR Mayo, Do. 94(pc Crv., Mayos Nich ERICAMS (1) Termico,

volumes improving much more

rapidly than previously expec-ted as being behind the upgrade. The stock moved up to 697p before closing a net 41/4 ahead at 694%p; turnover came

City analysts. Shares in Bass, a weak fea-

31/4 to 281/sp.

Other statistics, Page 22

LONDON EQUITIES

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MONEY MARKET FUNDS

CURRENCIES AND MONEY

MARKETS REPORT

Dollar drifts upwards

The dollar was slightly firmer against the yen yester. day as markets stretched to the limit of anticipation eyed the eleventh-hour trade talks hetween the US and Japan, writes Motoko Rich.

in the absence of any real news from negotiators, the markets gave the dollar the benefit of the donht and bounced the US currency around at the upper end of its ranges against both the yen and the D-Mark.

Against the yen, the dollar closed in London at Y98.7200, up from Y98.1350. Against the D-Mark, it finished at DM1.5467, down slightly from DM1.547.

In Europe, the lira remained the focus of attention as Prime Minister Silvio Berlusconi's cabinet approved the government's budget proposals for 1995 and Italy's trade unions called a general strike for October 14 in protest of the pension reforms included in the budget. Against the D-Mark, the lira closed in L1007, down from Tuesday's close of L1006.

Sterling showed some potential to test its upside against the dollar, but fell short of a real breach of important technical levels. Against the dollar, it closed in London at \$1.5784, up from \$1.577 and against the D-Mark, it finished at DM2.4412, up from DM2.4396.

■ The dollar maintained a firm hias against the yen throughout the day although neither US nor Japanese officials were forthcoming with any substantial details on the shape of their trade talks. which look set to continue tomorrow.

Mr Steve Barrow, economist at Chemical Bank, said: "Unfortunately for the market it has always looked like it would come down to the wire and that is the way it has proved."

He said the market was assuming that the two sides would arrive at some compromise on most industrial sectors, and avoid sanctions. In the event of such an outcome, Mr Barrow said the markets

Against the dollar (¥ per \$)

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unsettled by comments from US Treasury Secretary LLoyd Bentsen, who said any trade sanctions that were imposed against Japan would be spe-

cific, rather than broad-based. Earlier, the dollar took a dip as a stronger-than-expected August durable goods orders figure - which rose by 6.0 per cent on July's figure - emerged from the US. It was the biggest gain since December 1992.

■ The lira was bounced around in choppy trading as the markets continued their vigilant watch over Mr Berlusconi's progress with a budget for 1995. The cabinet's approval of the hudget helped the lira to rise to L1001.5 in the morning, and though the trade unions called a general strike for October 16, they were largely discounted by the markets.

The revelation by the Northright up until the deadline ern League, one of Mr Berlusconi's coalition partners, that

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around to what most people regard as a reasonable value, around L950 to L980 against the D-Mark," he said.

■ Sterling attempted a push upwards against the dollar on the back of the atrong US August durable goods orders. Mr Tony Norfield, UK treasury economist at ABN-AMRO, said traders were waiting for the pound to breach the important technical level of \$1.59.

"Once the pound breaks through \$1.59 or \$1.60, technical traders will be asking why it does not go up to \$1.70," he said. "While it is hard to see an independent rise of the pound, it might tally with a general weaknening of the dollar."

■ The short sterling futures contract for December rose by 8 basis points, as recent UK economic data fed through into the markets and traders began to revise interest rates slightly downwards.

Since Chancellor Kenneth Clarke raised base rates earlier this month, the futures markets have been pricing in rate hikes of up to 7 per cent in the December contract. Analysts have said such forecasts are highly exaggerated.

The December contract settled at 93.27, up from 93.19, discounting a short-term interest rate of 6.73 per cent.

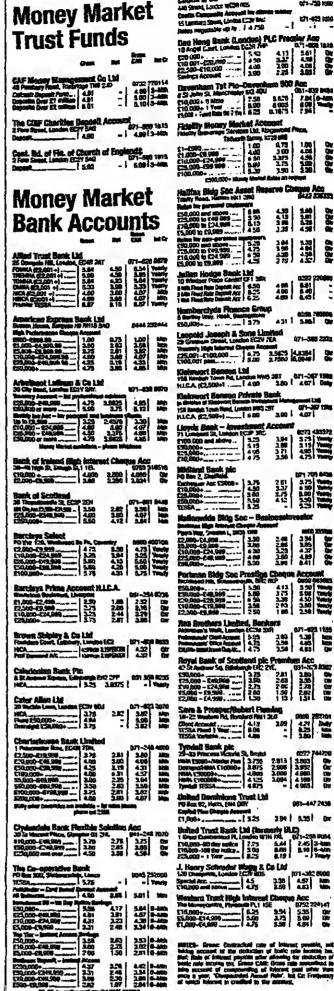
Mr Norfield said the rate currently priced in by the markets is still "implausible", but that investors are slowly curtailing their expectations of rate hikes because recent UK economic data has shown more balanced growth without signs of a consimer boom.

In the UK money markets. the Bank of England forecast a shortage of £400m and provided liquidity of £400m at established rates. Overnight

50.1778 9.5834 7.7155 +0.0121 567 - 979 +0.0032 794 - 874 50.2680 50.0510 9.8023 9.5521 7.7250 7.6780 0.2 50.2123 -0.3 49.7823 0.8 -0.8 9.6125 -0.8 9.6156 -0.3 105.1 75.4 116.7 85.8 +0.0163 618 - 526 11.7633 11.7107 11.7813 -1.9 11.6358 -2.3 -0.0014 186 - 212 2.0227 2.0135 2.0173 1.5 2.0113 1.7 12,0523 1,9698 1.2770 -0.0008 764 - 776 1.2768 1.2745 1.2773 -0.3 1.2774 -0.1 1.2723 0.4 +0,0014 780 - 790 -0,0019 587 - 825 -0,0089 183 - 202 40,0078 447 - 553 1,5805 1,5764 1.3656 1.3560 2.1238 2.1167 5.3556 5.3443 1.5805 1.5782 1,3808 2,1193 21187 0.3 21164 0.5 21061 82.0 +0.0014 790 - 788 (AS) 2.1323 -0.0001 310 - 335 2.1365 2.1286 2.1322 (#KS) 12.1960 40.0101 921 - 989 12.2122 12.1799 12.1921 (#K) 48.5086 +0.0381 861 - 270 48.5720 48.4450 (Y) 156.820 +1.081 733 - 907 156.210 154.550 156.43 (#KS) 4.0478 40.0108 450 - 498 4.0527 4.0430 - 10.043 191 - 228 2.8237 2.6174 2.8248 - (#KS) 40.616 +0.0043 191 - 228 2.8237 2.6174 2.8248 - (#KS) 40.0056 191 - 229 5.8277 5.9123 - (KKS) 5.6108 +0.0056 191 - 229 5.8277 5.9123 - (KKS) 5.6108 +0.0056 191 - 229 5.8277 5.9123 - (KKS) 5.6108 +0.0057 (92 - 134 6.8185 5.6058 - (KKS) 1.28189 +0.0068 - (KKS) 4.8454 - (KKS) 4.8 -0.0001 310 - 335 2.1365 2.1266

Sep 28		Closing	Change	Bid/offer	Dey's	ersiet	One mo	erifs.	Three wa	erittee.	One y	_	J.P Moros
		mid-point	on day	apreed	high	law		%PA	Rate	KPA	Rate	SEPA	Index
Ентора													
Austria	(Sch)	10,8845	-0.003	820 - 870	10.9045	10.8410	10.8545	0.0	10.8843	0.0	10.6065	0.7	104.1
Belgium	(BFr)	31.7900		850 - 960	31.B400	31.8900	37.775	0.8	31,77	0.3	31.565	-0.2	105.8
Denmark	(DKI)	6.0715	-0.0034	706 - 726	6.0786	&C451	6,0766	-1.0	6.0921	-1.4	5,1518		104.6
Fishend	(FM)	4.6882	-0.0003	835 - 928	4.8928	4.8598	4.8872	0.2	4.8852	0.2	4.9312	-0.9	90.4
France	(FFr)	5,2780	-0.0069	770 - 790	5.2895	5.2965	5.2 79 7	-0.4	5.2827	-04	5.2885		108.2
Germany	P	1.5487	-0.0003	484 - 469	1.5490		1,5463	-0.1	1.5481	0.1	1.5397		106
Gregon	(24)	235.650	-0.4	500 - 800		234,900	235,925	-1.4	236.475	-14	239.095		68.1
reland	(EE)	1.5800	+0.0006		1.5879	1.5554	1,5599	0.1	1.5578	8.0	1,5356	1.4	
Italy	(1)	1558.00	+2			1544,75	1562,25	-3.3	1570.5	-33	1617		75.8
TEXA INDOCES	(LFr)	31,7900		850 - 960	31,8400	31.6900	31,775	0.5	31,77	0.3	31.865		105.0
Netherlands	(12)	1.7315	-0.0018	312 - 317	1.7336	1.7250	1.7315	0.0	1.7312	0.1	1,7245		105.
Nonway	(NKY)	6.7732	-0.0045	722 - 742	6.7856	6.7440	6.7792	-1,1	6.7397	-1.5	6.8707	-1.4	98.
Partugal	(Es)	157,850	-0.08	500 - 800	157,800	157,070	158,375	-5.5	159,7	-25	184.4		95.0
Spain	(Pts)	128.250	-0.105	150 - 350	128,550	127,750	128.535	-2.7	129,105	-2.7	131,8	-2.8	BO.
Sweden	(SKI)	7.4584	+0.005	537 - 630	7,4630	7.4106	7,4729	-53	7.5044	-25	7.6784	-2.9	80.5
Switzerland	SFI	1.2797	-0.002	792 - 802	1.2812	1,2745	1.2785	1.2	1.276	1.2	1.262	1.4	108.
LDK	(2)	1.5784	+0.0014	780 - 788	1,5805	1.5762	1.578	0.3	1,5763	0.5	1.5607	1.7	86.
Ecu		1.2361	+0.0017	358 - 363	1,2397	1,2339	1.2355	0.6	1.2343	0.6	1,2276	0.7	
SDRT	-	1,46618		-	-	-	-	-					
Americas													
Arguntina	Pesol	1,0001	-	000 - 001	1,0001	1.0000		-		-			
Brazil	(FIII)	0.8620	-0.002	510 - 530	0,8650	0.8610	-	-					
Canada	(CS)	1.3427	-0.0056	424 - 429	1,3442	1,3408	1,3426	0.0	1.3426	0.0	1,3487	-04	84.5
Mendo (New	Penci	3,3895	+0.002	870 - 920	3,3920	3,3860	3.3905	-04	3.3923	-0.3	3.3997	-0.3	
USA	6							-		-			95
Pacific/Middle	East/	Africa											
Australia	US	1,2509	-0.0013	504 - S14	1.3526	1.3493	1.3511	-0.2	1.3518	-0.3	1,3502	-0.8	86.5
Hong Kong	8-0CD	7.7268		263 - 273	2,7274	7.7263	7,7266	0.0	1.7273	0.0	7.7423		
ndle	(Flat	31,3660	-0.0038	600 - 700	31,3700		31.45	-33	31,595	-2.9			
lacen.	M	88.7200		900 - 500		97,6900	98.5	27	98.01	2.9	95.466	3.3	150.
Mataysia	(MSS)	2.5845	+0.0045		2.5652		2.5553	4.3	2544	3.2	2.5175		
New Zeeland	(NZS)	1.6605	+0.0013		1.6611	1,6589	1,8615	-0.7	1.8833	-0.7	1.6686		
Philippines	Pesol	25,9500		000 - 000	28,0000		1200.0	-0.1	1.44		1,000,00	-0.5	
Saudi Arabia	(SPI)	3.7513	+0.0004		3.7515	17509	3,7526	-04	3.7567	-0.6	3,7753	-0.6	
		1.4858		885 - 890	1.4800		1,4874		1.4855	0.9	1,4786		
Singapore	(50)				3.5560			1.1					
S Amica (Com.)		3.5548		540 - 555		3,5495	3.5703	-52	3.5988	-4.9	3,6753	-3.4	
Alrica (Fin.)	(79)	4.2250		100 - 400	4.2450	4.2100	4.2587	-9.6	43175	-8.8			
South Kores	(Worl	799,345	-0.405	900 - 790		798,900	802.345	-4.5	805,845	-33	B24.345	-3.1	
(alwari	(12)	26.2136		100 - 175		28,2100	35.2338	-0.9	26.2738	-0.9		-:	
hestand	(80)	24.9600	+0.01	500 - 700	24,9700	24,9370	25,0325	-3.5	25.16	-32	25.84	-2.7	

it would oppose certain measures in the budget aimed at reforming the country's penrates traded between 3% and sion system, gave the lira a But in late trading the lira German call money firmed to took strength from Mr Berlus-4.75/85 per cent from 4.30/40 per coni's announcement of further hudget details, which included a promise to slash the OTHER CURE deficit by L50 trillion. 171,292 - 171,597 108,550 - 108,650 Mr George Magnus, currency economist at S.G. Warhurg, said the lira is still undervalued. But there is a long way would "just give a big yawn." The markets were slightly to go before the lira can turn CROSS RATES AND DERIVATIVES **EXCHANGE CROSS RATES** EMS EUROPEAN CURRENCY UNIT RATES 2,016 1,053 1,214 0,414 1 0,041 0,370 0,946 0,500 0,659 0,501 1,011 0,477 0,641 0,792 4901 2566 2952 1007 2432 100.1 2300 968.3 1215 2088 1216 2459 1156 1558 11578 1926 5.445 2.851 3.260 1.116 2.702 0.111 1 2.556 1.956 1.353 2.732 1.289 1.734 1.754 2.139 21.31 11.16 12.83 4.379 10.57 0.435 3.913 10 4.297 5.282 6.295 10.69 5.045 8.71 6.861 1.993 1.044 1.200 0.410 0.989 0.941 0.366 0.985 0.402 0.402 0.495 1 0.472 0.654 0.642 0.763 -2.14 -1.83 -1.61 -1.53 0.25 1.40 1.49 3.26 -0.00104 +0.0091 -0.00009 +0.00035 -0.00238 +0.00302 +0.148 +0.128 2.19672 40.2123 0.808628 1.94964 6.53883 7.43679 182.854 2.14969 39,4782 0.795641 1.91987 6.55527 7.54098 195,726 2,547 2,930 1 2,414 0,099 0,893 2,293 0,961 1,208 2,074 1,209 2,441 1,152 1,547 1,567 1,512 258.6 298.7 101.9 246.1 10.12 91.07 232.7 100. 122.9 211.4 123.2 248.6 117.4 157.7 158.7 211.2 243.0 82.92 200.2 8.231 74.08 189.3 81.35 100. 172.0 100.2 202.4 95.52 125.3 125.9 158.5 12.28 14.13 4.822 11.84 0.470 4.308 11.01 4.731 5.815 10 5.830 11.77 5.555 7.489 7.555 2.107 2.424 0.827 1.967 0.052 0.739 1.839 0.811 0.998 1.715 1 2.019 0.953 1.276 1.285 2.211 2.544 0.868 2.086 0.776 1.962 0.852 1.047 1.800 1.050 2.119 1 1.343 1.363 5.52 5.16 4.95 4.86 3.00 1.83 1.75 0.00 -6.62 -4.15 3.34 Est. vol Open Int. 31,890 72,272 28 4,097 1 478 Change -0.0014 -0.0012 -0.0067 -0.0058 Open 1,0255 1,0290 1.0195 1.0275 1.0433 High 1.0285 1.0290 Low 1.0176 1.0265 CALLS Nov 7.71 5.44 3.42 1.58 0.57 0.82 PUTS Nov 0.04 0.21 0.67 1.57 5.00 4.93 Dec Mar Jun 19,003 Dec 0.27 0.65 1.30 2.51 3.70 5.49 7.80 5.75 3.93 2.51 1.48 0.79 E SWISS FRANC PUTURES (IMM) SFr 125,000 per SFr E STERLING PUTTINES (MIM) 252,500 per 9 UK INTEREST RATES MONEY RATES IN THREE SIGNITH EURONAMIK FUTURES (UFFE' DM Im points of 100% Intertwent Starting 5¹s - 3¹s Starting CDs Treasury Start Start Start Local submitted daps: 4¹g - 4¹g Decount Market daps: 5¹s - 3¹g 523 523 523 523 533 535 444 574 524 8.75 6.75 4.85 4.86 8.25 8.25 8.25 (LIFFE) L1000m points of 100% Open 90.86 89.93 89.45 89.16 +0.23 +0.24 +0.24 +0.23 7.50 7.50 5.25 5.25 3.50 3.50 4.00 4.00 1.75 1-3 Racmith Certs of Tex dep. (£100,000) 1½ 4 3½ 5½ 3½ Certs of Tex dep. under £100,000 is 1½ 0.0 beposits withdrawn for cash Apo. Ave. tender rate of decounts £5000pc. ECXID fixed rate Stig. Export Finance. Makes up day Aug 31, 1894. Agreed rate for period Sep 76, 1894 to Oct 25, 1894, Schemes 1 & IS 6,62pc. Reference rate for period July 30, 1894 to Aug 37, 1894, Schemes IV & V 6,678pc. Finance House Same Rate 3½pc firm Sep 1, 1994 MONTH EURO SWISS FRANC PUTURES (LIFFE) SFrim points of 100% Open 95.63 95.24 94.92 94.69 Low 95.68 95.24 94.92 94.82 Open int 10508 985 716 128 24484 11593 6077 910 55 (LIFFE) Scutin p # \$ LIBOR FT Long Interbank, Fluing week ago US Dollar CDs week ago Sett price 93.67 93.08 92.60 92.20 Low 93.58 92.98 92.54 92.14 Open 93.57 +0.12 +0.12 +0.06 +0.06 High 93.65 Est. vol 1777 783 127 20 Open Int. 7484 5686 2537 1001 \$3,07 \$2,50 \$2,20 93.22 92.30 81.62 91.20 93.27 92.34 91.57 91.23 93.28 92.87 91.68 91.25 4.69 4.69 3% 3% +0.08 +0.07 +0.08 +0.07 92.19 92.28 91.60 91.17 29009 12149 7515 4785 Est. vol. Open Int. 134,979 516,654 80,018 406,625 48,097 284,918 94.11 93.74 93.37 -0.01 -0.01 -0.01 High 64,14 93,77 93,38 94,06 93,72 93,34 **EURO CURRENCY INTEREST RATES** Strike Price 9925 9350 9373 0.09 0.04 0.02 0.27 0.14 0.06 Belgian Franc Danish Krona D-Mark 0.12 0.08 0.05 0.25 0.37 0.54 1,00 1,20 1,43 1.70 1.91 2.13 3 · 4% 6 · 5 · 5 · 4 4 · 6 · 4 5 · 6 · 6 10 · 9 · 6 10 · 9 · 6 10 · 5 · 6 10 · 54 54 54 54 55 104 57 54 54 54 54 23 23 5% - 5% 7% - 7% 5% - 5% 5% - 5% 5% - 5% 10% - 10% 8% - 6% 6% - 6% 6% - 6% 8% - 5% 8% -IN US TREASURY HILL FUTURES (MAN) 51m per 100% Dutch Guider French Franc 1,126 439 31 17,663 8,891 2,356 **BASE LENDING RATES** Strike Price 9450 9475 9500 ## Adam & Company ... 5,75 ## Affect Trust Bank ... 5,75 ## Affect Trust Bank ... 5,75 ## Affect Trust Bank ... 5,75 ## Bank of Bank ... 5,75 ## Bank of Bank ... 5,75 ## Bank of Cygrus ... 5,75 ## Bank of Cygrus ... 5,75 ## Bank of India ... 5,75 ## Bank of Scoland .. Nov 0,28 0.10 0.03 Dec 0.30 0.14 9.05 0.06 0.15 0.31 0.18 0.10 0.04 0.02 0.07 0.27 0.04 0.11 0.29 0.34 0.51 0.70 Strike Price 9550 9575 9600 Est. vol Open int. 94.07 93.59 93.19 92.87 +0.06 +0.08 +0.09 +0.08 94.07 93.59 93.19 92.87 19,056 13,033 4,361 2,827 48,134 34,066 25,888 20,091 0.35 0.52 0.73





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	### 100 MORLD STOCK MARKETS #### 100 MORLD STOCK MARKETS ###################################	+/- 18gh Low Yid P/E Sales -/- 18gh Low Sales -1-18ch Low TNT 2.35 +.92 2.74 1.91 28200 Brech4 197s -1s18k 197s 400 SMC 197s -1s18/9 187s
	##STRIA GOD 27 Sch) ##STRIA G	THT 2.35 +.92 2.74 1.91 P8800 Brech
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after Fed stands pat

Wall Street

US atocks rallied yesterday morning as investors warmed to the Federal Reserve's decision to hold steady on interest rates, writes Frank McGurty in New York.

By I pm. the Dow Jones Industrial Average was 23.54 higher at 3,886.58, while the more broadly based Standard & Poor'a 500 was up 3.22 at 465.27. The Nasdaq composite was 4.87 ahead at 760.24, while the American SE composite added 2.23 to 455,65.

Volume on the Big Board was fairly heavy, with some 191m ahares traded hy early

The strong upturn in share prices was essentially a fol-low-through to the relieved response to the Fed's inaction previous session. Stocks, led by issues most sensitive to shifts in the economy, climbed steadily through the morning, in parallel with a solid advance by US government bonds.

The positive sentiment suggested that there had been some concern that an immediate move to lift interest rates could have set back the corporate sector at an unfortunate

Even although the Fed now appeared poised to lift rates whenever it deemed appropriate, equity investors took advantage of the lull to lift share prices with just two more sessions remaining in the third quarter.

The economic news on offer yesterday morning was inconclusive. The Commerce Department said that orders of durable goods last month had jumped 6 per cent, against forecasts of a 3.8 per cent rise.

gain was linked to the trans-port sector, the most volatile component in tha mix. That was enough to allow investors to brush aside the news and concentrate on a firmer dollar and a positive trend in bonds.

Heavy equipment manufacturers were among the stron-gest stocks. Caterpillar, a Dow industrial component, jumped \$2% to \$55%, while Deere climbed \$1% to \$69%. Clark and Eaton, a supplier of motor vehicle components, forged \$1

Cincinnati Milacron, a machine tool maker, hounded \$21/4 higher to \$26, a new 52veek high. An upgrading by Merrill Lynch was the catalyst.

Gap Stores bounced back \$2 to \$33% thanks to favourable re-ratings by at least two Wall Street pundits. The stock had retreated during the previous sessions when other analysts took the opposite view of the

On the losing side, Masco-Tech dropped \$1% to \$11% after the industrial engineering concern reduced its earnings estimate for the full year. In media, CBS shed \$9% to \$334% on reports that the television network was faring

poorty in the fall viewer rat-

On the Amex. Atari surged \$1% to \$6%, a 22 per cent gain on the day. The improvement came on news that Sega Enterprises would buy 4.7m Atari shares as part of an broad strategic agreement between the two computer-game makers. On the Nasdaq, Roadway Services backpedalled \$3% to \$55%. After the close of trading on Tuesday, the trucking com-

Antec, which makes prodworks, was marked down \$6% to \$26% after issuing a profits warning.

Canada

Toronto was mixed at midday as tarnished gold issues offset gains in forest stocks and industrial products.

The TSE 300 composite index was up 3.30 at 4,364.08 at noon in volume of 28.9m shares. All but three of Toronto's 14 subindices were higher.
Forestry rose 1.2 per cent but

precious metals fall 1.0 per cent when Comex gold sagged as the market digested comments from a member of Russia's precious metals committee indicating that the country would cut its domestic gold price and lowar exports.

Briskly traded shares included Nova Corp. C\$% higher at C\$14%.

Mexico

Mexico City fell rapidly as investors learned that the secretary-general of the ruling party, Mr Francisco Ruiz Massieu, had been shot and seriously wounded outside a hotel in the capital.
The IPC index of 37 leading

shares fell 62.08 or 2.2 per cent, to 2,758.35 by 1ste morning. Mexican shares also turned sharply lower in US trading, but subsequently picked up from their worst levels, as the shooting, just seven months after the assassination of the ruling party presidential candidate, Mr Luis Donaldo Colosio, brought renewed concerns

Firm gold price aids S African recovery

pany announced a sharp

Johannesburg bounced back after two days of hefty decline as a firmer gold price pulled buyers back into the oversold market.

Gold bullion's rally, as well as gains for leading world markets, eased nerves after the negative inflation data, a bank rate rise, and weaker world markets that drove shares lower on Monday and Tuesday.

FT-ACTUARIES WORLD INDICES

The overall index reconped 56 at 5,639, after losing 172 points in the first two days of the week. Golds picked up 41 to 2,464 and industrials advanced 78 to 6,249.

De Beers collected a further 50 cents at R100. Anglos added R2 at R237 and Gencor put on 50 cents at R14.50. Amic recovered R5 to R190 after losing R13 on Tuesday.

<u>.</u>		HANGE 19			STABLE PRIC		
Market	No. of stocks	September 23 1994	Dollar terms % Change over week	% Change on Dec '93	September 23 1994	cat currency % Change over week	% Change
Latin Americ		789.96	+2.6	+21.4			
Argentina	(25)	961.81	-1.6	-3.3	590,067.57	-1.6	-3.3
Brazil	(57)	445.43	+3.9	+91.4	1,428,388,245	+3.9	+1,305.0
Chile	(25)	736.84	-0.1	+33.5	1,220.15	-0.3	+28.0
Colombia ¹	(11)	903.39	-2.0	+40.1	1,347.94	-0.2	+45.4
Mexico	(68)	1,020,64	+29	+1.4	1,492.54	+2.1	+10.6
Peru	(11)	181.47	£.51+	+50.0	249.68	+15.3	+57.0
Venezueta ³	(12)	570.92	+0.9	-3.5	2,231,18	+0.9	+57.0
Asia	(557)	285.95	-0.5	-1.7			
China ⁴	(18)	107.35	-0.2	-28.1	115.75	-3.8	-29.5
South Korea		147.18	+3.3	+24.6	154.93	+3.5	+23.4
Philippines	(18)	311.87	+2.5	-8.4	381.16	+0.0	-14.2
Taiwan, Chin		159.48	-1.0	+18.0	157.04	-0.9	+17.4
India ⁷	(76)	140.55	-2.6	+20.7	155.43	-2.6	+20.7
Indonesia*	(37)	110.84	-3.3	-11.1	130.91	-3.4	-8.1
Malaysia	(105)	322.32	-1.0	-4.9	304.09	-1.0	.e.
Pakistan ^a	(15)	406.77	8.0+	+4.9	564.90	9.D+	+7.0
Sri Lanka	(5)	208.29	+0.1	+17.5	223.91	-0.0	+17.3
Thazand	(55)	438.08	+1.2	-8.3	434.17	-2.7	-10.1
Euro/Mid Ea		115.98	+0.7	-31.5			
Greece	ີເຊສ	222.77	-0.2	-2.2	355.45	-0.0	-7.8
Hungary"	(5)		+0.2	+7.3	232.31	-0.1	+15.1
Jordan	(13)	152.56	-0.6	7.8	218.75	8.0-	9.8
Poland ²²	(12)	562.62	-6.3	-31.2	821.36	-5.8	-25.6
Portugal	(25)	123.84	-2.9	8.8+	134.42	-24	-2.7
Turkey	(40)	112.38	+4.2	-47.1	1.798.56	+5.1	+23.8
Zimbabwe*	(5)	263.77	+0.3	+30.5	323.02	+0.7	+51.2
Composite	(891)		+1.1	+6.2	460.42	.4	1012

Lima put in a sharply higher performance last week as foreign interest in the market was ignited by a \$45m offering of ADRs in Banco Wiese on the New York Stock Exchange, the first ever international offering for a Peruvian equity.

Exchange, the first ever international offering for a Peruvian equity. The issue was reported to have been 20 times oversubscribed, with the price rising to a 16.5 per cent premium on the first day of trading.

Foreign & Colonial Emerging Markets notes that Lima's positive mood was also helped by news that talks with foreign commercial creditors would resume following official recognition of all outstanding debts.

The result was a 19.4 per cent increase on the week in average daily turnover to \$15.5m, according to figures from the Lima exchange. Wiese, Peru'a second largest bank, surged 25.5 per cent on the week in domestic trading, pulling Banco de Credito, the country's largest bank, 17.7 per cent higher in its wake.

Strong upturn in Dow Short covering, Wall Street lift bourses

Short covering lifted bourses in the morning, and Wall Street offered support in the late afternoon, writes Our Mar-

PARIS started well, the CAC-40 index peaking at 1,925.99. It ran into trouble after lunch, rumours of a big seller in futures taking the index down fast to a low of 1,889.16, but rallied thereafter to close 3.67 higher at 1,904.95 in turnover of FF13.19bn.

Rumours also produced the main individual feature, LVMH rising FFr38 or 4.2 per cent to FF1889 on talk that a bank was buying the shares for the Christian Dior bolding company. Other winners included Pengeot, up FFr9 to FFr781, as analysts revised their forecasts following this week's figures, said Mr Frederick Sauvegrain at hroker Ferri International. Among financials, Société Générale rose FFr6 to FFr540 after a good first-half report. FFr8.20 to FFr382.20 after its

Losers included Lafarge Coppee, down FFr4.40 to FFr419.50 after a satisfactory first half, GAN, the insurance company. off FFr11 at FFr290 on a profits warning, and Vallourec, tha metal fabricator, down FFr30 or 9.4 per cent at FFr290 after

report on first-half losses.

FT-SE Actuaries Share Indices THE BUROPEAN SERIES 13.00 14.00 15.00 Close licenty changes 17.00 11.30 12.00 FT-SE Europeack 100 1847-28 1348-49 1348-42 1345-87 1345-89 1345-03 1345-44 1348-01 FT-SE Europeack 200 1387-05 1388-84 1387-13 1387-15 1387-15 1387-35 1388-76 1388-74 Sep 27 Sep 26 Sep 23 Sep 22 Sep 21 1340.34 1339.05 1343.73 1386.86 1334.32 1377.84

barely breaking even in the first six months. FRANKFURT followed its pattern of recent days, with share prices led by bund futures and activity restrained by the pending German alec-tions. The Dax index rose 9.39 to 2,068.11 as turnover rosa

from DM5hn to DM5.3bn.

Metaligesellschaft staged one of its occasional rebounds, closing DM11.50 higher at DM130 following its drop from DM211 at the end of August. In pharmaceuticals. Schering's rise of DM17.50 to DM964.50 fitted into a pattern of recent share price volatility.

The star performer, once again, was SAP in computer software, up DM25 at a new closing high of DM899 after a DM24 gain on Tuesday. The stock had risen by more than 200 per cent in the past year, noted Mr Jens Wiecking of Merck Finck in Düsseldorf.

adding that it was now looking expensive with a high market capitalisation to sales ratio.

MULAN remained in mostly confident mood in response to the cabinet's approval of 1995

budget measures, and the

Comit index rose 12.64 or 1.9

per cent to 693.55, shrugging off the general strike called for

October 14 by unions opposed to pension cuts. Prices edged back from their best levels late in the day, howevar, after the Northern League, one of the coalition partners, gave notice of its opposition to elements of the posed pension reforms. Hopes of improved first-half

figurea from Fiat today also ovided support. Fiat rose L53 to L6.825 and Olivetti was up L75 at L2,150. Telecom Italia was up L157

at L4,560 after Tuesday's posi-tive first-half results and Stet

its first-half figures, due out later that day.

BC1 was L122 higher at

L4,095 on barely changed first-half results, while Credito Italiano rose L42 to L2,250. ZURICH edged higher, the SMI index rising 9.0 to 2,580.0. Banks, under pressure in recent sessions, were the big-

gest beneficiaries of the easing worries about interest rates, with SBC up SFr4 to SFr370. Among insurers, Swiss Reinsurance was up SFr12 at SFr638, lifted by some bargain

hunting after being sold earlier in the week on uncertainty ahead of Friday's first-half Swissair picked up SFr17 to SFr852 amid recurring talk an alliance with another Euro-

nean carrier. AMSTERDAM recovered on the back of German bunds, the AEX index rising 4.45 to 405.11. BolsWessanen picked up F1 1.70 or 5.1 per cent to F1 35.00 after the company announced it had reached an agreement to acquire at least 33 per cent of the Italian drinks maker

Davide Campari Milan. Gist Brocades, the biochemical group, added 90 cents at Fl 45.00 on the sale of its unprofitable yeast making DSM gained F1 3.10 at F1 154.60 following a positive presentation to analysts. MADRID's relief on interest rates took the general index back through 300 with a rise of

4.74 to 301.98.
ADR stocks reflected a good morning on Wall Street, with Telefónica up Pta45 at Pta1,760, Repsol by Pta85 at Pta3,950 and Edndesa Pta100 batter at Pta5.590.

BRUSSELS drew inspiration from the Fed's decision to leave US interest rataa unchanged and the Bal-20 index rose 13.52 to 1,398.47.
Arbed, the Luxembourg

steelmakar, rose a further BFr5,000 in response to its announcement on Tuesday that it had priced, and sold a 1m-share private international offering at BFr4,550 a share, and on news of its positive earnings outlook.

TEL AVIV followed Sunday'a 2.8 per cent fall, and two days' holiday, with a 2.7 per cent drop, the Mishtanim index falling 5.12 to 186.68. On Sunday afternoon, Israel's central bank raised its basic lending rate by 1.5 percentage points to 15.5 per cent.

Written and edited by William

Nikkei rises mildly, regaining 19,500 mark

Tokyo

Stepped-up corporate and public fund buying helped stocks post a modest recovery in a quiet trading session, writes Robert Patton in Tologo. The Nikkei 225 average rose

38.71 to 19,507.60, just above the 19,500 mark breached by Tuesday's 345.47 drop. The market traded in a relatively narrow range from a high of 19,566.01 to a low of 19,479.20.

Advancing issues outnumbered declines by 541 to 432, with 206 stocks unchanged. Brokers attributed the rally to technical factors and the renewed participation of public funds, which had remained on the sidelines on Tuesday. Trading volume improved from 231.7m shares to 280m.

The Topix index of all first section stocks ended 6.84 up at 1.569.59, but the second section index was off 12.00 at 2.219.43. The Nikkei 300 firmed 1.15 to 287.19 and, in London, the ISE! 1,286.45.

Japan Telecom fell for the third day this week, closing below Y4m for the first tima since its listing on September The closely watched new issue shed Y70,000 to Y3.95m. Investors who bought the stock in a pre-listing public offering and auction paid between Y4.7m and Y6.6m. Some brokers felt that many were now selling to cut mounting losses Rising gold prices took Sumi-tomo Mining up Y26 to Y980 in the day's highest volume of 8.2m shares. Steelmakers were

heavily represented among active stocks. Nippon Steel, the second most active, ended flat at Y385, but Kawasaki Steel rose Y6 to Y438 and Kobe Steel inched up Y1 to Y327.

Automobile shares made a strong showing. Toyota Motor gained Y20 at Y2.030. Nissan Motor Y8 at Y794 and Honda Y30 at Y1,630. Major trading houses also gained ground. Ito-chu moved ahead Y17 to Y712 and Sumitomo Y22 to Y970.

Matsushita Electric Industrial receded Y20 to Y1,580 after Tuesday's news that it would issue two domestic convertible bonds totalling Y200bn. Other electricals fared better. Hitachi rose Y7 to Y963,

Oki Electric Industry Y20 to
Y775 and NEC Y10 to Y1,180.
In Osaka the OSE average
advanced 16.11 to 21,859.98 in
volume of 39.7m shares.

Roundup

Unchanged US interest rates after yesterday's FOMC meeting had only a limited effect on the region. Taiwan was closed for a holiday.

SINGAPORE used the US Federal Reserve's decision as an excuse to go bargain hunting, and investors who had sold on expectations of a US interest rate rise were forced to cover sizeable short positions.
The Straits Times Industrial index moved up 40.85 to

2,330.69, with an estimated 283m shares traded. Malaysian shares traded over

the UOB-OTC index closed 9.39 down at 1,267.76. MBf Capital led the actives, falling 18 cents to S\$1.88 in more than 24m shares dealt, while Samanda Holdings dropped 85 cents to S\$5.60 after news that its attempt to take a stake in MBf Capital had failed.

HONG KONG closed off its highs in thin trade, but buying linked to the September index futures settlement today helped the Hang Seng index finish a net 83.25 up at 9,693.49 after touching 9,747.45. Turnover edged up to HK\$2,98bn from HK\$2,98bn.

The Hang Seng H-share index jumped \$1.62 or 2.3 per cent to 1.409.68. Analysts said shares in Chinese-incorporated companies were rebounding from recent weakness.

meanwhile, closed just over 5 per cent better, up 45.36 at 943.22 in turnover of Yn3.62bn, on hopes for positive market news from the fourth plenary session of the 14th central committee of the Chinese Communist party in Beijing.

SYDNEY stayed uncertain over the direction of interest rates, and the All Ordinaries index ended only 0.4 up at 2,014.2. Brokers said the market was disappointed that the US Fed left interest rates unchanged, and that they would have to rise somer or later, WELLINGTON declined on high existing interest rates, the NZSE-40 Index slipping 14.98 to 2,068.60.

MANILA took a sharp tumble and Wall Street was partly to blame. PLDT dropped by 2.7

per cent to 1,420 pesos following its \$1% slide to \$56% in New York overnight. Brokers blamed foreign exchange appreciation in recent weeks. The composite index fell 56.58 to 2.877.69. The other main contributor to the fall was Meralco "A", 3.6 per cent lower at 267.50 pesos because a state pension fund offer of shares to its members at 250 pesos was encouraging arbit-

SEOUL saw profit-taking, the composite index dipping 12.22 to 1,039.79. BOMBAY was still shaken by plague fears and the BSE 30-share index lost 37.73 to end at a provisional 4.406.83. KUALA LUMPUR encountered heavy afternoon profit-taking and the KLSE composite index shed 8.77 to 1,140.83 after a morning high of 1,158.88.

September 29, 1994

MeesPierson is pleased to announce that, as of today, it will fully participate in the new advertising screen 'ASSET' (Amsterdam Stock Exchange Trading System) for the full range of active shares introduced on ASSET:

ABN AMRO Holding Aegon Ahold Akzo Nobel BolsWessanen

CSM

Dordtsche Petroleum DSM

Elsevier Fokker Fortis AMEV **Gist-Brocades Hunter Douglas**

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Nedlloyd . Océ-van der Grinten

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Euromoney: MeesPierson is number one in research on Dutch stocks and execution of Dutch securities transactions, 'by far the strongest presence in the market.'

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MERCHANT BANKERS SINCE 1720

| Index | Inde 159.38 174.14 156.13 129.58 235.91 167.27 157.24 132.88 371.89 149.80 539.25 196.53 68.53 68.53 345.22 290.70 130.82 210.90 156.33 161.68 177.31 152,46 148,92 130,23 134,67 207,34 182,55 138,66 113,66 332,45 185,48 98,85 96,85 165,37 64,08 176,61 251,29 265,89 135,31 131,29 181,88 168.45 158.64 216.64 254.02 170.71 160.76 169.83 159.75 184.99 173.21 151.73 142.88 265.72 250.24 171.71 181.70 174.53 164.36 175.27 165.08 149.50 205.59 109.94 125.77 184.67 130.12 235.40 129.87 144.40 146.61 176.72 136.15 175.10 136.09 136.02 149.16 122.70 212.74 137.65 140.13 140.81 105.09 135.16 106.51 105.83 115.41 94.66 155.78 107.13 108.89 109.25 3.11 1.44 1.10 1.95 2.67 2.46 2.75 1.96 2.08 2.28 2.91 175.46 116.24 150.63 176.51 175.93 -0.1 165.39 109.13 141.49

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